



CREDIT

and FINANCIAL MANAGEMENT

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1932

THE PERIOD OF CONVALESCENCE

Early in the Fall of 1927, as the representative of the United States, I attended the International Wool Conference, held in Reichenberg, Czechoslovakia.

The weather was cold and damp and as the Hotel was draughty, one of my family was taken ill with a slight cold, which unexpectedly developed into pneumonia just as we reached London.

Most of us have faced critical situations at some time in our lives, and perhaps many of us have paced up and down while a Consultation was being held, of which the result was of life or death importance to us. But I think the most unbearable phase of a situation of that kind lies in the terrible suspense and uncertainty which follows, for usually no definite assurance can be given at once as to the ultimate outcome *until the Crisis has been passed.*

There we were, in a Hotel with a strange Doctor and strange Nurses, without an intimate friend in London.

My state of mind was just as yours has been, or would have been under similar circumstances. I felt that I could not stay in the rooms, and I was afraid to go out because of that horrible feeling of dread that something might happen at any moment, while I was away from the Hotel.

Finally, the day before we expected the *Crisis*, the Physician insisted that I go out for exercise and air as the next day, Thursday, would be the hardest of all for everyone.

I, literally, purposely kicked the curbs in Green Park time after time to make sure I was awake, for I could not realize that it was not all a nightmare.

When I returned to the Hotel, I was instantly told that the *Crisis* had been passed—that the temperature had broken—and that every indication pointed toward recovery. After I had grasped the full significance of the change, I slept for 18 hours.

Then, when I awoke, I found that we had to face a new situation, which, while comparatively easy, was one which still required extreme care.

But my entire mental outlook had changed—all of that feeling of dread and foreboding, which had hung over me up to the time of the Crisis, had gone, and while I realized that there was still danger, I felt, by taking reasonable precautions, that the chances were all in favor of a complete recovery within a few weeks.

Dr. Niles warned me that proper care would be absolutely essential to insure a speedy and permanent cure.

I shall never forget that trip home on the "Homer." I could think of nothing but that all worries from that time on would be trivial, for normal difficulties and troubles in the future would be relatively insignificant when compared with that period of dread—those endless 5 days—which preceded the CRISIS.

I constantly compare the mental stages through which I went in London that Fall with the condition of the minds of the people of this country during the past two years.

Every man with responsibilities of any nature has known that we were economically suffering from a very, very serious illness, and that for months we had had hanging over us the dread of uncertainty and the panicky fear of the unknown—which continually stayed in the imminent future.

But the most serious phase of the entire situation was the fact that no one could even attempt to tell when the *Crisis* would come, while day after day we could see evidence of increasing weakness, on every side of us.

But now there is fair justification for the belief that we may have been passing through the CRISIS all of this Fall.

Consultants have met. They have administered one additional method of treatment, the Organization of the National Credit Corporation, which had not been tried before, and which unquestionably has been an important contributing factor in radically changing the mental viewpoint of our people for the better.

But even before that, underlying factors, which we may not have recognized, had been gradually strengthening our economic position—

1st — We apparently have not attached due significance to the fact that more than 50% of all of the wage earners in the United States have not only been working full time, but have been drawing the same wages as were paid to them in 1929, and those wages are now equivalent to 20% more than any amounts ever paid to them in the past, because of the increased buying power of the dollar.

That 50% consists of Government, State and Municipal Employees, the Workers for the Transportation Companies, and the Employees of hundreds of thousands of concerns, out of the total of 2,250,000 business units in this country, which have not been compelled to make Payroll Adjustments. These workers have until recently, because of the uncertainty of the situation and the dread of the future, been saving every conceivable dollar.

But those funds, representing an immense buying power which has been held back for months, are now gradually coming back to accelerate Industrial activity.

2nd — Emphasis should be given to the fact that business mortality for the past two years has been the heaviest in the history of the United States, and from the figures available, it is reliably estimated that five concerns have liquidated paying in full, to every concern which has become insolvent or financially involved.

A condition of this kind works both for and against improvement, because, while unfavorable momentarily, it is clearing the producing and distributing situation of the weaker concerns, those which throw merchandise on the market at distress prices, and at the same time it is *correcting the competitive position* which will have an extremely favorable effect on the welfare of the remaining units in the immediate future.

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3rd.— And this point is being stressed—Divisions of Industry dealing in essential products have reached and reacted from an irreducibly low rate of activity—a rate which even on the basis of current buying, will not adequately meet the demands of those in a position to buy at the prevailing employment and earning level. And we should bear in mind, that the unemployed will continue to consume, for they will be provided for, irrespective of how it is done or who is to pay the bill.

4th.— Manufacturing and Trading Units have reduced their general and fixed expenses to a point which enables them to earn moderate profits on low production schedules.

5th.— Retail, Wholesale and Manufacturing Stocks of essential goods and of many semi-luxuries have been depleted from one end of this country to the other.

6th.— While at the same time, the general trend of the International outlook is having a very favorable contributory effect on our future, even though we are concerned at the moment about the situation in Germany.

The most hopeful sign abroad is undoubtedly that of the reaction which is evident all over the world, which shows unqualified endorsement of the existing form of Government — *Conservative Democracy*, for the probable failure of the Russian experiment will only strengthen that confidence in all other countries.

So it seems that we may reasonably sum up by saying—

(a) There is a tremendous nucleus of buying power available, not only for the necessities, but for moderate luxuries, in the hands of at least 50% of the wage earners of this country, while another large percentage is on a reduced wage or part time basis. The balance, the unemployed, will undoubtedly be provided for, at least as far as actual necessities are concerned.

(b) We know that Industries have reached an irreducibly low point of activity, which at this level cannot supply the current replacement requirements even under existing conditions.

(c) We have every reason to believe that the price level of Raw Materials, particularly food-stuffs, will respond immediately to the slightest upturn in consumption demand.

(d) It is evident that the unprecedented decrease in the number of Industrial Units will relieve the competitive situation to a marked degree in many Industries.

But beyond all of these basic factors of a fundamentally favorable nature, the belief is spreading that we have entered the period when the dread and foreboding preceding the Crisis, which may have already been passed, and is changing the mental attitude of the entire population of this country—just as my whole outlook changed on that Wednesday afternoon in London.

For the fact that we may have entered—

The Period of Convalescence

is slowly and surely permeating the minds of millions of men and women in the United States, which undoubtedly will favorably affect the viewpoint of the People of the most important Nations abroad.

But, just as I was cautioned, we should not fail to remember that constant care is absolutely essential if we are to expect a steady and permanent recovery.

And we must further be prepared for temporary relapses or sinking spells, which, while they may cause alarm momentarily as they occur, will not be contrary to our reasonable expectations when the severity of the illness, through which we have passed, is taken into consideration.

And a last observation might be to the effect that there may be deep wounds left, which only time will cure completely, but these will gradually pass away as Industrial activity increases from month to month to meet an expanding demand for Goods and Services.

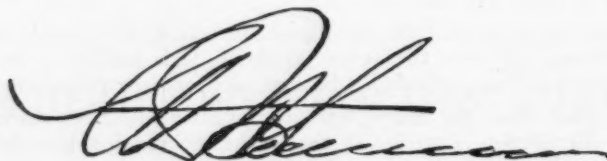
In writing as I have done, it is difficult to avoid the ear-marks of attempting to make a prediction.

Will you accept what has been written as a desire to convey to you in a conversational way, an inventory of my personal deductions gleaned from the facts at our disposal on a situation which has been of such profound interest to me and to my Associates in our Organization.

Should only one point in this memorandum in any way add in the slightest degree to your happiness over your Holidays this year, it will have amply served its purpose.

Perhaps it is expecting too much to even intimate that you might approach the year 1932 in somewhat the same mood as I was in when I boarded the "Homer" for that memorable trip late in the Fall of 1927.

If only I could make it so I would.



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looking ahead

☐ We are going to start the new year right! Our January issue will include the best all-around series of articles CREDIT AND FINANCIAL MANAGEMENT has ever had the privilege to run, written by some of the outstanding writers and economic thinkers of the nation.

Maybe that sounds like a new year's resolution—easily made but less easily fulfilled. Just to prove that we are not conversing through our well-known chapeaux, we will let you have a few tips as to who and what the January issue will contain.

E. W. Kemmerer will analyze, by comparison, the price slumps of 1920 and 1931.

Irving Fisher will discuss the debt situation and present the three D's of this present-day circumstance.

The Executive Manager, Henry H. Heimann, will explain his views on the coming year by looking back at 1931 and thereby charting what may be expected in 1932.

W. S. Swingle will present his fourth quarterly survey of the present year, analyzing the last quarter of 1931 in the Latin-American Market, both as to collection and credit conditions.

And Allard Smith, Vice President of the Union Trust Company of Cleveland will focus his attention, as well as yours, on the general economic situation in the last quarter of 1931 in the United States.

CREDIT

and FINANCIAL MANAGEMENT

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inspired and inspiring



OF The one great, all-important question that men and women, in this country and in the world, are asking is this: "How can I live successfully in this machine age?" This question looms large as life's basic problem.

Consistently for a decade writers, economists, statesmen and so-called thinkers have been answering this question inconsistently. None of them has told us how to adapt ourselves to our machine-age environment. Their prescriptions have been negative and destructive. They have criticized the machine age instead of offering a practical, sensible formula and philosophy for present-day living. Stalin and his bungling commissars have been trying to answer the question for two hundred million Russians in terms of the destruction of capitalism. Gandhi sits behind his ancient spinning wheel and seeks a new freedom for three hundred and fifteen million Indians through a fanatic boycott on the constructive forces of this modern era. Bertrand Russell and others in the field of philosophy dwell upon the evils of the machine age and the bondage into which it is leading mankind. Our own versatile Stuart Chase paints our industrial colossi as towering, ominous Frankensteins and gestures blandly to the lazy contentment of Mexico as an answer to our troubles. Fortunately, these writings, pronouncements, criticisms and plans have been good, thought-provoking reading, if nothing else.

It has remained for Edward A. Filene to give us our first practical, concrete, sensible and understandable answer to that great question: "How can I live successfully in this machine age?" Mr. Filene's answer is embodied in a book of two hundred and seventy-four pages, "Successful Living in This Machine Age." This book was written in collaboration with Charles W. Wood and is published by Simon and Schuster of New York City. It sells for \$2.50.

Mr. Filene is one of this country's outstanding merchants and business thinkers. Throughout his long career he has been prominent in national and international affairs. He is the sponsor of mass production methods and principles in America. His interests and activities touch virtually every phase of our modern life.

The intrinsic worth and outstanding quality of Mr. Filene's new book has caused me for the first time in the magazine's history to devote the editorial page to a book review. I can give no greater message on this page than to urge you to procure and read, study and assimilate the wisdom of "Successful Living in this Machine Age."

Mr. Filene with characteristic vigor attacks traditional thinking, points the way to sound, progressive thinking and makes the economic complexities of our machine age intelligible and logical. He begins his book with this definition of mass production: "Mass production is not simply large-scale production. It is large scale production based upon a clear understanding that increased production de-

mands increased buying, and that the greatest total profits can be obtained only if the masses can and do enjoy a higher and ever higher standard of living." The genesis of the machine age has been in mass production and Mr. Filene has interpreted the major aspects of modern life against an underlying theme and background of mass production.

Many years ago I was advised by a famous book critic that the way to review a book is not to list its contents. "Whenever I see that," the critic said, "I know that the reviewer has read nothing but the table of contents." But a review of Mr. Filene's masterpiece would be incomplete without giving you the scope and breadth of the subjects covered. This volume relates mass production to each of the following subjects: successful living, buying power, the consumer's dollar, credit, unemployment, the second industrial revolution, the family, politics, socialism and communism, the tariff, world peace, education, religion, mechanization, beauty, the profit motive, personal adjustment, advertising, health, housing, agriculture, excesses and perils and social planning.

Every single credit and financial executive in this country should read the chapter on credit. No more practical and vivid philosophy of credit has yet been written. The analysis of instalment and consumer credit given in this chapter is credit thinking at its best. The chapter on "mass production and beauty" is truly "a thing of beauty and a joy forever." For sheer appreciation and interpretation of beauty in our machine age this chapter is unexcelled.

The book is full of such thought-gems as these: "One might stick to his job like a fly to a piece of fly-paper and be no more successful than the fly." "Poverty standardizes because it necessitates the spending of all one's time and energy upon the problem of keeping alive." "That which serves its purpose well becomes beautiful to us, if its purpose is in harmony with our purpose."

"Successful Living in This Machine Age" shows exactly how we must live in our environment to be happy and successful. The book is as practical as a tool—as fascinating as any single thing you have ever read. It is inspired and inspiring.

When I first began to read this volume I determined to make it "This Month's Business Book" on our regular book review page. Upon completing the volume I have decided to make it "Our Book of the Year"—and dedicate the editorial page to bring this message to you.

Addison said, "Books are the legacies that a great genius leaves to mankind, which are delivered down from generation to generation as presents to the posterity of those who are yet unborn." Fifty or a hundred years hence I believe Mr. Filene's book will live as one of the greatest interpretations of the era in which we are now living. That is why it is one of the great books of today.

Chester H. McCall



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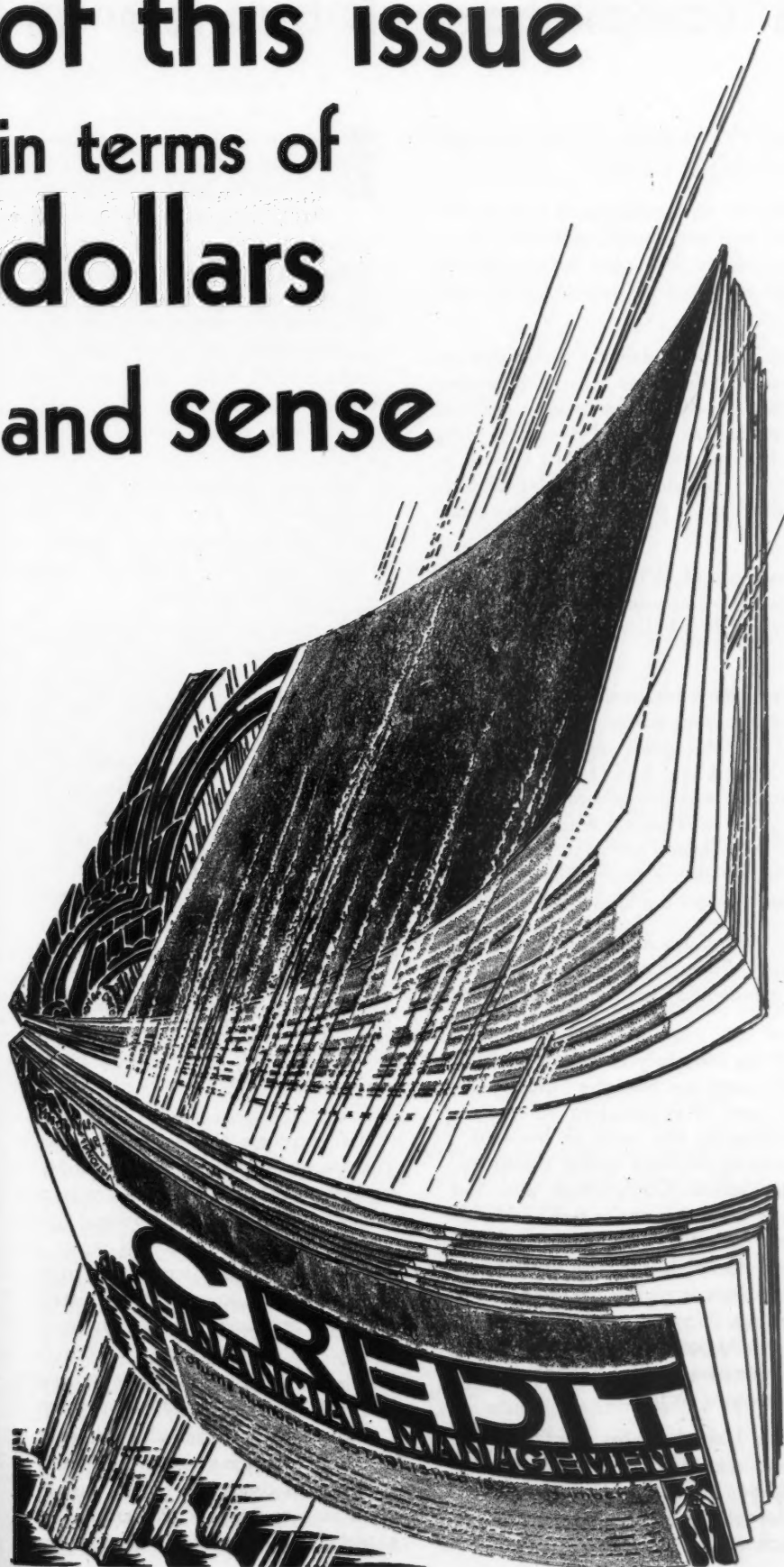


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a cross section of this issue in terms of dollars and sense



Very often the difference between a wise and unwise credit extension lies in one factor, which swings the final decision one way or another, according to whether that factor is favorable or unfavorable. Alert credit executives have known for some time the value of checking the individual credit ratings of the men in charge of a company. When you know how they pay at home, their business attitude can be determined.

On this basis the retail credit bureaus are a worth while instrument for the checking of credit standings. These bureaus are busier than the proverbial bee-hive and their activities are, in number and scope, truly amazing. The interview with A. B. Buckeridge (page 24), Executive Manager of the New York Bureau is a thorough-going and at times, humorous article.

The Executive Manager, Henry H. Heimann, turns this month to fiction (page 20) and in a stimulating piece depicts a type of credit manager that is fading from the scene, being replaced by dynamic, clear-visioned men who have been trained in the economics of business and credit as well as in the detailed duties of their profession. If you know any B. A. Morleys, hand this article to them! The moral—the development of a business and educational background—is clear, forceful and truthful.

Recent months have seen changes in interest rates. What does this mean to business? A sound, logical discussion (page 14) by David A. Weir, Assistant Executive Manager, shows just what money costs and what influence money cost has and can have in the business life of the country.

The new year is approaching with its attendant accounting problems. We are, therefore, presenting in this issue, articles on various phases of accounting. These articles will be found on pages 10, 18, 22 and 26. They contain a wealth of practical, applicable accounting information.



the business

a compilation of business and

straws in the wind

blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:

AUTO PRODUCTION: Preparations for the winter debuts of new models are stimulating production schedules but new models talk and rumor have also caused sales to decline perceptibly. The low price class is quite excited as Chevrolet is ready with a new model and Ford's is enroute within the next few weeks as well.

BUSINESS FAILURES: A large increase in business failures was noted by The Bradstreet Company during the month of October with 2,348 houses failing. It exceeded any previous October in history. As to bank failures, the National Credit Corporation's influence was felt in November when failures of banking institutions dropped from an average of 110 a week in October to 53 in the first and 26 in the second week of November. October bank suspensions totaled 512, the highest point at any time since the Civil War.

CAR LOADINGS: In comparing the loadings of 1930 to 1931 it can be anticipated that lower loadings each week from now until January can be expected. Loadings, in general, are running 30% below levels of the year before.

COMMODITY PRICES: Professor Irving Fisher's wholesale price index of 200 representative commodities and the purchasing power of the dollar for the week ended Nov. 27 were 67.8 and \$1.474, against 68.6 and \$1.458 the preceding week. Average for 1926 is used as a basis for this computation and is therefore placed at 100. Dun's shows the general average of commodity prices to have changed only an infinitesimal fraction during November. It leaves the present average price level 3 per cent. above that of October 1, when the average was the lowest of the year; $137\frac{7}{8}$ per cent. below that of a year ago and $27\frac{3}{4}$ per cent. below the high point of 1929.

INVESTMENTS: Transactions in the New York Curb and Stock Exchanges were the slowest in November since August. Prices have shown little rallying tendency as far as any stability is concerned, following the abrupt ending of the October recovery.

STEEL PRODUCTION: In anticipation of the inventory season, steel business has been curtailed in spots, but indications are that the "usual year-end dullness" will be less pronounced because of prospective automobile orders which are likely to be "on the mill books this week or the next," according to the review of *Iron Age*. Buying by the Ford Motor Company, the Chevrolet division of the General Motors Corporation and the Chrysler Corporation is in prospect. Many steel companies are withholding announcements of first-quarter prices, awaiting clarification of the present situation. Delays in the letting of automobile tonnage are said to be due partly to the hesitation of steel producers in giving the concessions that the automobile companies are demanding. Pig iron production underwent a further decline in November. On a daily basis the loss, as reckoned by *The Iron Age*, was about 2.8 per cent. compared with October output, or about the same as the drop from September to October.

UNEMPLOYMENT: Unemployment in the United States continued its forward march in October and November, according to figures for the month made public by the Bureau of Labor Statistics, Department of Labor. Some lines showed an increase, largely seasonal. Manufacturing and other groups showed a continuing decline.

OF America has gained the reputation of being the home of "big business." We are inclined to overlook the collective importance of our little businesses.

Bankers as well as purveyors of merchandise, materials and machinery like to do business with General Motors, General Foods, American Tel. and Tel. and the U. S. Steel. They like to serve the big fellows who do from a million to a billion dollars worth of business a year.

But they are not so keen about doing business with John Jones or Harry Smith whose volumes, put together for a year, would be a small day's business for one of the big fellows.

We must take steps to encourage the Jones and the Smiths of business, according to the President's Organization on Unemployment Relief. For these little fellows, and medium sized ones, who each do from five thousand dollars worth to a million dollars worth of business per year, outnumber the big fellows about twenty to one. And collectively, they ordinarily employ nearly half of our industrial and business workers.

The little businesses of America, which are in the aggregate a very big business, feel the credit pinch severely. So long as this half of America's employers are thus handicapped, we cannot expect employment to become normal.

To overcome this serious drawback, the unemployment relief organization suggests the formation of a credit pool somewhat similar to the National Credit Corporation which can do what the latter is not in position to do, namely to release credit to our smaller distributors and producers "whose number is legion, and whose aggregate contributions to the unemployment situation would be very great, if made effective."

Confirmation of this idea, in general, is heard from many sides. Characterizing business conditions of the past two years as "the bankers' depression," Dr. Lionel D. Edie, former Professor of



thermometer

financial trends and indications

Finance at the University of Chicago, recently urged abandoning the practice of liquidating funds and directing a flow of credit back to business channels.

Dr. Edie said his reasons for calling it a "bankers' depression" were "the extent to which banks deviated from a commercial banking business and the extent to which the total stream of credit was allowed to undergo extreme fluctuations."

American commercial bankers, he said, had drifted away from the Anglo-Saxon concept of banking to the Continental type, by investing in fixed capital. In the "liquidating mania," he added, "the bankers made a run on their customers before the customers had a chance to make a run on them."

"During the past few years the banks of the country have departed to a considerable extent from the former emphasis upon the commercial aspect of banking," Dr. Edie continued. "Whereas in 1920 commercial loans were about 56 per cent of total loans and investments and in 1929 about 46 per cent, by 1931 they had shrunk to approximately 36 per cent."

"In a broad sense, the two great commercial banking problems of today are how to get the commercial banks back into the commercial banking business and how to feed a more steady and orderly stream of credit to the community, with a view to obviating the excesses of alternating inflation and deflation."

Dr. Edie explained that the typical features of commercial banking were loans for periods of about three or six months and loans to tide industries over abnormal seasons and to help communities build efficient economic machines. Such loans served as liquid resources for enterprises during periods of stress and strain and the function of a commercial bank was to direct funds to "those who were fit to use them."

"Just before the present depression began," he said, "the country banks were invited to attend group conferences where they were advised of the

perils of local loans. There was a flood of supposedly educational propaganda to convince the country banker that his loans to local tradesmen and farmers could easily become frozen, whereas, if he put his funds into bonds, his liquid position would be assured.

"The country banker had to depend upon the bond salesmen and upon the security affiliates of city banks for advice as to which bonds to purchase. The result was, in a great many cases, a portfolio of bonds which proved, at the crucial stage of the depression, to be unmarketable except on terms of ruinous loss."

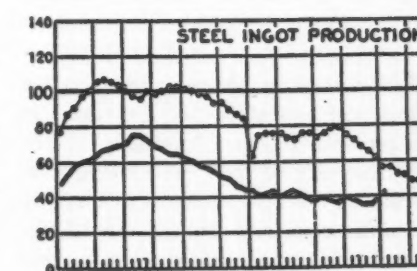
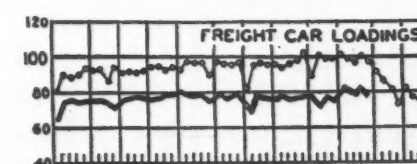
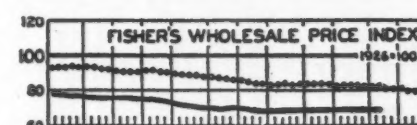
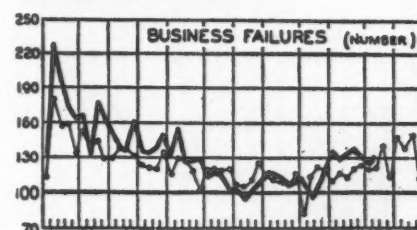
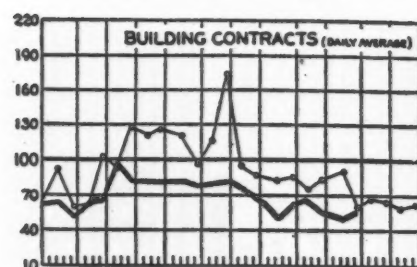
Since 1921, between 6,000 and 7,000 banks have closed, Dr. Edie said, and a large proportion of them were country banks.

"At the present stage of the readjustment, banks, as a rule, are highly reluctant to extend credit to the community," he declared. "We face the most extraordinary situation of banks being so overcautious that a great number of meritorious applications for loans are daily turned down. The legitimate demand for new credit is today much more intense than the bankers' willingness to extend new credit. Until this credit jam is pried loose, it will be difficult for business recovery to make much headway."

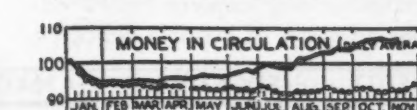
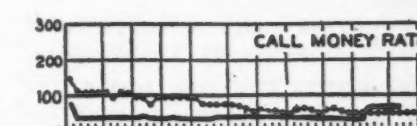
"In spite of a certain amount of cooperative assistance from the Federal Reserve and from correspondent bankers, the typical individual bank has felt that in order to maintain solvency, it must build up a fantastic degree of liquidity. Banks boast of the fact that they are 60 or 70 or 80 per cent liquid. This excessive emphasis upon the individual strategy of the isolated bank has been one of the gravest weaknesses of the whole credit position in recent years."

with the exception of Fisher's Index, U. S. Department of Commerce charts (right) are based on 1923-1925 average = 100

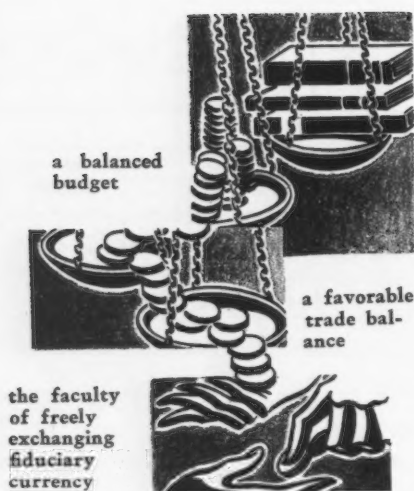
BUSINESS INDICES



FINANCIAL INDICES



international



an established course charted
by **HERBERT S. SHEPPARD**
Assistant Treasurer, General Elec-
tric S.A., Mexico City, Mexico

With few exceptions, the exchanges of the world to-day fluctuate, in relation to the American dollar, from day to day. The recent suspension of the gold standard in England and other countries resulted immediately in the depreciation of their respective currencies.

In order to maintain a stable currency, three essential conditions must exist, to wit: (1) a balanced budget, (2) a favorable external trade balance, and (3) the faculty of freely exchanging the fiduciary currency, whether it be in the form of paper or metal, for an amount of gold equal to the par value of the currency offered for exchange.

A balanced budget is indicative of sound governmental administration, which inspires confidence among foreign capitalists, inclining them to invest new capital in the country for the expansion of existing enterprises and the establishment of new undertakings.

A favorable external trade balance, arising from an excess of exports of merchandise over imports (unless offset by an excess of invisible debits, i.e.

interest, dividends, repayment of loans, insurance premiums, ocean freights, remittances to relatives in foreign countries, expenditures by nationals traveling abroad, etcetera, over similar invisible credits), results in the accumulation of funds in foreign countries, which may be drawn against if not settled by the shipment of gold.

The faculty of freely exchanging the fiduciary currency for an amount of gold equal to the par value, obtains only in those countries which maintain the gold standard.

The exchange rates of countries which have abandoned the gold standard depend upon the law of supply and demand, which in turn is governed by the conditions previously enumerated. Depreciation in the exchange of such countries is caused by a budgetary deficit (which only too frequently is balanced by a further issuance of currency, in other words a forced, non-interest bearing, loan) or unstable political conditions, creating a lack of confidence in the Government, or by an unfavorable external trade balance, including visible and invisible items. The latter condition is often corrected, to a certain extent, by the action of the exchange itself, for, as the exchange declines in value, the cost of imported goods, measured in the currency of the importing country, increases, and they are gradually replaced by articles of national manufacture or production, while national products being cheaper, in terms of foreign currencies, are apt to be exported in increased quantities.

With this preamble, it will be apparent that the conduct of business in

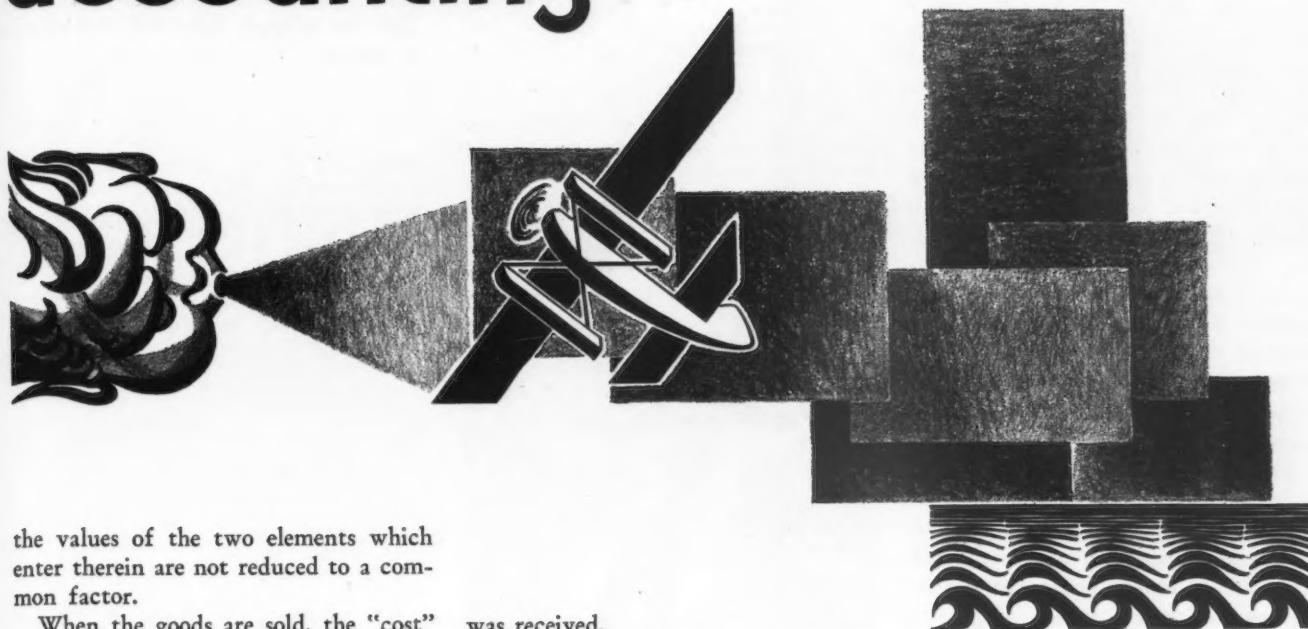
in the face of rates of currency exchange as variable as the winds, the posting of international profit becomes as uncertain, as to outcome, as a trans-oceanic flight
foreknowledge alone will insure success

foreign countries presents many problems which are entirely absent in the United States, and executives of American corporations with foreign affiliations, and credit men of organizations carrying foreign accounts on their books, should know how these problems affect the operations of a trader abroad.

Through improper accounting methods, a concern's assets may be greatly overstated or its liabilities grossly understated, to the detriment of its creditors and its own stockholders. Some large American corporations whose accounting systems in their domestic organizations are models of efficiency, have neglected to make a thorough study of the accounting problems of their foreign subsidiaries, and attempt to keep the accounts of the latter in accordance with the systems in use in the United States, with the result that the financial statements and balance sheets are misleading. For example, some companies maintain their accounts in foreign currencies at an arbitrary rate of exchange, and adjust the accounts through an exchange account. Let us see the effect of this method; the following are authentic examples.

An Argentine company importing merchandise from the United States computes its costs on the basis of \$2.40 pesos per dollar (par is .4245 U. S. per peso, and the current rate is now in the neighborhood of twenty-five cents per peso). In arriving at its landed costs, this company multiplies the dollar, or c.i.f., cost of its importations from the United States by 2.4, and adds thereto the duties and expenses disbursed in Argentine currency. The resulting "cost" is, of course, inaccurate, since

accounting



the values of the two elements which enter therein are not reduced to a common factor.

When the goods are sold, the "cost" computed on this inaccurate basis is used, and the sale shows a margin of gross profit which does not exist. When collection is made and dollars are purchased to remit to the parent company, the difference between the arbitrary rate of 2.40 and the cost of the remittance (say 4.00 at current rate) is charged to exchange.

It is obvious that if the remittance is postponed on account of governmental restrictions on the purchase of foreign exchange, or in the hope that a better rate may be secured at a later date, the exchange loss is indefinitely deferred, so far as the accounts reveal. The result in the balance sheet is equally misleading, for the unsold merchandise is understated, and the liability to the parent company is likewise less than the number of Argentine pesos required to settle the obligation.

A Mexican company importing merchandise from the United States attempted to take care of the exchange factor in its costs, but took the exchange differential into its operations as an earning as soon as the merchandise was received, so that the more merchandise it received, regardless of whether it was ever sold, the greater was its exchange "profit" from this source, until the time arrived to purchase dollars to remit to the parent company, when the difference between the arbitrary rate (in this case 50 cents per peso); and the actual cost of the remittance, was charged to exchange, reducing, or altogether eliminating, the "profit" booked when the merchandise

was received.

The costly effect of both of these methods upon the income tax returns is apparent.

Now, let us suppose that an importer and distributor in Brazil places an order upon an American manufacturer for a shipment of goods which has an invoice value of \$1,000.00 U. S., c.i.f. Brazilian port, for which the manufacturer draws on the customer at ninety days from date of shipment. The bill of lading to the shipper's order and endorsed by him, and the consular invoice, with draft attached, will probably be sent by the manufacturer to his bank for collection, or he may have an arrangement with the bank to discount the draft, subject, of course, to recourse to the manufacturer in case of non-acceptance or non-payment. In due course the bank's correspondent in Brazil notifies the consignee that the shipping documents are at his disposal against acceptance of the draft.

If the shipment is in accordance with the order, the customer will accept the draft for payment at ninety days from date of shipment, and will then secure the bill of lading and consular invoice which he will hand to his customs broker so that he may prepare the necessary papers for customs purposes. When the shipment arrives it is placed in one of the government warehouses, where it will remain until the clearance papers have been filed and the landing charges and duties have been paid. Then, after the shipment has been ex-

amined and found to be in accordance with the consular invoice and customs declaration, the shipment is released to the consignee who has it removed to his warehouse. (It should be borne in mind that warehousing charges in government warehouses are usually high, and it is expedient to dispatch the goods as quickly as possible in order to avoid demurrage.)

Up to this point the customer has not actually paid the manufacturer for the goods, but he has accepted the draft for \$1,000.00 U. S., and owes the customs broker for the landing charges, duties, brokerage, and cartage, which we will say amount to ten contos of reis. In some countries the duties are payable wholly or partly in gold, or in national currency based on the official quotation for gold, so that they, too, fluctuate with exchange. The entries which the customer should have, theoretically, placed upon his books, are:

(1) Debit:	
Merchandise in transit...	Dlls. 1,000.00
Credit:	
Notes payable	Dlls. 1,000.00
(2) Debit:	
Merchandise in transit...	Rs. 10:000\$000
Credit:	
Accounts payable....	Rs. 10:000\$000

It would be obviously unwise to convert into milreis the dollar, or c.i.f., cost of the shipment before the shipment is paid for, as the importer does not know how many milreis he will require to purchase \$1,000.00 U. S. when the draft matures, unless he should make a "future" contract with the bank to deliver to him, at maturity of the draft, a sight draft on New York at a certain specified rate of exchange. Even in the latter case, the value of the milreis is liable to be more, or less, when the shipment is sold by the importer, and unless he keeps track of each and every shipment which he receives, he may unwittingly sell the goods at less than replacement cost.

Two alternatives suggest themselves, one to carry in *dollars* the cost of all merchandise imported (including the dollar equivalent of disbursements made in milreis for landing charges, duties and clearance expenses) as likewise the corresponding obligation to the American manufacturer, and the other, which is, perhaps, preferable, if the importer's capital is in milreis, as being less likely to create entanglements with government examiners, to carry such accounts in *milreis at par of exchange*.

The method recommended is to carry in each account, both on the debit and credit side of the ledger, two columns headed, respectively, "Milreis at par" and "Milreis at current rates." Then, through the medium of a "permutation" or "exchange adjustment" account, disbursements in milreis for landing charges, duties and clearance expense would be converted into milreis at par, at the average rate of exchange for the month in which the disbursements were made and the shipment costed.

The par value of Brazilian exchange is .1196 U. S. per milreis, but in order to simplify calculations, we will use the rate of .12 U. S. Assuming that the average rate for sight drafts on New York in the month in which the imaginary shipment is received is .055 U. S. per milreis, the entries to record the transaction would be:

DR.		CR.	
Milreis at Par	Milreis at current rates		
Merchandise in transit..	8:333\$330		
Merchandise in transit.		10:000\$000	
		CR.	
Notes payable	8:333\$330		
(\$1,000 U.S. at 12 cents per milreis).			
Accounts payable		10:000\$000	

DR.		CR.	
Milreis at Par	Milreis at current rates		
Merchandise	12:916\$660		
Permutation account...		10:000\$000	
Landed cost, viz.			
Dlls. \$1,000.00 at 12c			
Rs. 10:000\$000 x 5.5			
	12		

CR.		DR.	
Milreis at Par	Milreis at current rates		
Merchandise in transit.	8:333\$330		
Permutation account...	4:583\$330		
Landed cost, viz.			
Dlls. \$1,000.00 at 12c			
Rs. 10:000\$000 x 5.5			
	12		



each step across requires accurate balance

In this way the merchandise account, and, for that matter, any other asset account which it may be desired to maintain in a stable currency, will always show the true cost, and likewise notes and accounts payable will always show the actual amount owing.

Let us assume that the merchandise is sold by the distributor in the same month, and that he realizes a price of Rs. 30:000\$000 therefor. The entries would be:

DR.		CR.	
Milreis at Par	Milreis at current rates		
Accounts receivable....	30:000\$000		
Cost of sales billed....	12:916\$660		
		CR.	
Sales billed	30:000\$000		
Merchandise	12:916\$660		

Assuming that the importer's business is capitalized in milreis, it will be necessary, at the end of each month or other fiscal period, to convert the "par" balances in all of the operating accounts into "current rate" balances, at the average rate of exchange during the month, on the theory that the operations are spread over the whole period, while "par" balances in the asset and

liability accounts will be converted into "current rate" balances at the closing rate of exchange, in order to show the correct condition of the business at such date. If the average rate were .055 and the closing rate .06, the entries would be:

DR.		CR.	
Milreis at Par	Milreis at current rates		
Permutation	12:916\$660		
Cost of sales billed....		28:181\$800	
Notes payable	8:333\$330		
Permutation		16:666\$660	
		CR.	
Cost of sales billed....	12:916\$660		
Permutation		28:181\$800	
(To convert "par" balances in operating accounts at average rate of exchange, viz. 5 1/2 cents per milreis.)			
Permutation	8:333\$330		
Notes payable		16:666\$660	
(To convert "par" balances in asset and liability accounts at closing rate of exchange, viz. 6 cents per milreis.)			

By virtue of the foregoing entries, all of the "par" balances have been eliminated, and the accounts will show the following results:

	DR. Rs.	CR. Rs.
Accounts receivable....	30:000\$000	
Notes payable		16:666\$660
Accounts payable		10:000\$000
Surplus		3:333\$340
	30:000\$000	30:000\$000
Sales billed	Rs. 30:000\$000	
Cost of sales billed		28:181\$800
Gross margin		1:818\$200
Exchange (profit)		1:515\$140
Added to surplus.....	Rs. 3:333\$340	

The profit in exchange, in the illustration, accrued on account of the improvement in exchange from the monthly average of 5 1/2 cents per milreis, when the shipment was sold, to 6 cents at the end of the month, so that fewer milreis would be required to liquidate at that date the obligation in dollars.

On the first day of the succeeding period, the entries made to convert the par balances in the asset and liability accounts will be reversed in order to restore those accounts which it is desired to maintain in a stable currency, to "par", thus:

DR.		CR.	
Milreis at Par	Milreis at current rates		
Notes payable	16:666\$660		
Permutation	8:333\$330		
		CR.	
Permutation		16:666\$660	
Notes payable	8:333\$330		

(Continued on page 51)

co - insurance may mean co - liability

"PLEASE READ YOUR POLICY"

by JOHN V. HUTCHINSON,
President,
Insurance Audit Company

IN During the past ten years, the Insurance Audit Company has been specializing in making examinations and audits, in connection with mercantile open stock burglary claims and losses occurring through safe burglary, hold-ups, and all types of claims under fidelity and surety bonds, for more than twenty-five of the leading insurance companies and independent adjusters.

We have audited approximately one thousand claims, in that period of time, and as a result of this experience many interesting claims have come to our attention.

In many cases some firms and individuals have unjustly criticized insurance companies for not paying the entire amount of the claim filed by the assured, as evidenced by the proof of loss prepared by the firm, following a burglary of merchandise from its premises. Several instances have come to our attention when the assured, following a fair settlement, but due to a misunderstanding as to the application of the co-insurance clause contained in his policy of insurance, has cancelled his policy with an unusually strong carrier, and placed it with a weak sister.

Most insurance companies have the clause, "PLEASE READ YOUR POL-

ICY", printed in bold type on the face of their policies. However, since most firms and individuals rightfully place confidence in their brokers, who are licensed by the state in which they transact business, they fail to heed this request, and take it for granted that they have been properly covered by their broker.

It is therefore, the purpose of this article to acquaint firms, individuals, and in some cases insurance brokers, with some of the most important warranties and how the co-insurance clause operates in the event of a loss, which is contained in the standard mercantile open stock burglary insurance contract.

I will list the principal warrantees which effect both the insurance company and the assured in determining the insurance company's liability, in the event of a mercantile burglary loss.

A mercantile open stock burglary insurance policy is written upon application by the assured. This application contains approximately fifteen declarations to be made by the assured, such as name of the firm, business, etc. The most important, insofar as having a direct bearing upon the settlement of a loss is concerned, is Item 5 of Declarations:

"As respects the application of the Average Clause contained in Condition 2, the stipulated per centum shall be 80 per centum and said 80 per centum of the actual cash value of all merchandise insured by the Policy shall in

no event be considered more than \$20,000.00 Dollars."

There are approximately sixteen Conditions, or warrantees named in the policy, the most important of which are briefly stated:

1. "MERCHANDISE", as used in this policy, includes all merchandise in the premises, owned by the assured or held by the assured in trust or on commission, or sold but not removed from the premises, or for which the assured is liable to the owner thereof for such loss or damage as is covered hereby. "PREMISES", as used in this policy, shall be limited to that portion of the interior of the building designated in the declarations, occupied solely by the assured in conducting his business, but shall exclude: (a) show cases or show windows not opening directly into the interior of the premises: (b) public entrances, halls and stairways.

2. The company shall not be liable for a greater proportion of any loss of or damage to the merchandise hereby insured than the sum hereby insured bears to the stipulated per centum (set forth in Item 5 of the Declarations) of the actual cash value of all such merchandise contained in the premises at the time such loss or damage occurs, but as respects the application of the foregoing, the stipulated per centum of such actual cash value shall in no event be considered as more than the amount stated in Item 5 of the Declarations.

5. The company shall not be liable for loss of or damage to:

Any merchandise in excess of its actual cash value.
(Continued on page 48)

BURGLARY LOSS \$8000!
insurance carried . . . \$10,000
percentage specified: 80% . . .
value of the merchandise in
stock \$25,000 . . . the insuring
company AND the assured (as
co-insurer) each are li-
able to the extent of \$4000



? what

a first of a series of articles interpreting and simplifying important economic factors in present day life and relating these factors to the human equation

.... by the Assistant Executive Manager, N.A.C.M., DAVID A. WEIR



EN Paradoxical as it may seem, most people are more concerned about the price charged for money at the time when they are borrowing little rather than when they are borrowing much. This seeming paradox is explainable. During a "boom" period when optimism is running rampant, the average individual is more concerned about the securing of abnormally large and quick returns than he is about the interest rate paid on his borrowings. During a period of depression, when profits are low or non-existent, the business man scrutinizes all factors which he thinks may have an effect upon the return of prosperity. In this article, therefore, an attempt is made to give concise answers to two questions. First, what are the most important basic factors which affect interest rates? Second, in what way may low money rates, especially during a period of depression, affect business?

Gold is a commodity. In most of the leading countries of the world this commodity has been established as standard money. Interest, therefore, is merely the price paid for the use of that commodity or a substitute for it. This substitute may be a government credit obligation such as currency or it may be a private credit obligation.

Whether the interest paid is for gold or for its substitute, the basic factor influencing the price charged is the same as that which affects the price of potatoes, automobiles or other commodities. If that is kept in mind much of the faulty thinking often associated with the interest question may be clarified.

Whether the thing purchased is money or potatoes the old law of supply and demand is still on the job. It may be distorted; it may be modified by special circumstances; it may be temporarily set aside; but it cannot be repealed. Supply of money and credit accommodations and the demand for them must, therefore, be the fundamental factor underlying interest rates.

The working of the law of supply and demand assumes that there is competition both for the sale and for the purchase of commodities. Competition for the use of money and credit facilities is of several kinds. There is "geographical" competition as among nations as well as among different sections of the same country. There is "group" competition with those in various lines of industry competing. Then, too, we have what may be called "purpose" competition; that is the competition which arises when there is demand for money or its equivalent for working capital, for long-time investments, for governmental purposes and for speculative purposes all at the same time.

With various individuals or groups competing for loans, what are the factors which make a loan attractive to the lender? This may be summed up

"gold is a commodity . . . whether it be money or potatoes, the old law of supply and demand is still on the job"



briefly by saying "Maximum return with minimum risk, plus the needed degree of liquidity." The price which must be paid will, therefore, be set not merely by the amount of competition for funds but by the risk involved and the liquidity provided. The price that the borrower can afford to pay, or that he thinks he can afford to pay, will usually depend upon his expected return from the use of the money.

During a "boom" period it is natural for interest rates to be high; for a "boom" period is a sellers' market. It is natural too, that the highest price for money during a stock "boom" such as that of 1928 and 1929, should be for call loans. There are two reasons for this. First, the stock "boom" period is a time of quick profits. Under such circumstances, a difference of 2 or 3 per cent per annum in the rate paid is of comparatively little concern to the man who hopes to make 5 or 10 per cent overnight. Second, the risk involved in such loans is likely to be greater than on loans made for strictly business or investment purposes. It is not necessary at this point to debate the question as to whether such loans do actually involve greater risk. Insofar as interest rates are concerned, the mere existence of a feeling that there is more of an element of risk is sufficient to bring about higher rates.

During such times the element of liquidity may operate toward bringing lower rates on call loans; for, in theory at least, the call loan gives greater liquidity than is given by a time loan. During a "boom" period, however, the factors causing higher rates on call loans more than offset the possible lowering effect of the greater liquidity of this type of loan.

It is apparent that the chief reason for high rates on call loans during a stock "boom" period is the opportunity for quick and large profits in speculation. It is further evident that with the various groups competing for loans, the higher rates on call loans will be reflected in a generally higher level of prices charged for the use of money. This is especially true when, as usually happens, a business "boom" accompanies the stock "boom." The more

price money ?

how an interest rate will fluctuate

wide-spread the "boom" conditions are, the more keen will be the competition for money and for credit facilities and the higher will be the rates of interest.

What has been said concerning the factors affecting call loan rates is of general application to other forms of loans. The supply of and demand for money, or its substitute credit, is basic; but the workings of this law as it applies to any particular loan or any type of loan will naturally be influenced by the risk involved, the need for liquidity and the probable profitability of the project for which the loan is desired.

We should bear in mind, however, that while the above statements are generally true, there may be special conditions under which interest rates are

rather arbitrarily fixed or at least influenced for a limited period of time.

For example, under the Federal Reserve System, rediscount rates at the Federal Reserve Banks are established by the Federal Reserve Board or by the Board of Directors of the regional bank. While this does not compel a changed adjustment of loaning rates, such adjustment on short time loans usually follows as a natural consequence. The banker who is loaning at 6 per cent and having the paper rediscounted at 4 per cent is not likely to continue to loan at 6 per cent if the rediscount rate is changed to 5 per cent. If he needs a 2 per cent differential in order to carry on his operations profitably, the natural thing will be to raise the loaning rate to 7 per cent. This in turn may check

depression, when accompanied by low money rates, tends to widen still further the gap between the strong and the weak.



borrowing on the part of those who feel that the probable return from their own use of the money will not justify them in paying the higher rate. If the increase does act as a check upon borrowing and if the supply of money available for loaning purposes remains high, one of two things will ultimately happen. Either the rates will again be lowered or the higher rate will be maintained arbitrarily as a check upon borrowing which is considered unwise.

In the latter case, the higher rate may bear little or no relationship to the usual causes which bring about such changes. These cases are exceptions and do not undermine the fundamental principles which are generally applicable to money rates. As long as there is an abundant supply of money, interest rates cannot be *arbitrarily* maintained at a high level for a long period of time unless a financial dictatorship is established or unless the Federal Reserve Board has direct control over most of the money in the country. It is no more likely that such arbitrary methods could be permanently applied in fixing the price of money in this country than that they could permanently fix the price of wheat or any other commodity of which there is a large supply available on the market.

Do low money rates have a stimulating effect upon business? During a time at which business operations and security dealings are at a low ebb, it is natural that such a question should be raised. Incomplete thinking often leads to the fallacy of attempting to simplify too greatly the answer to the question. When such a question is put, it is entirely pertinent to ask, "What business?"

Low money rates are usually beneficial to some and disadvantageous to others. Suppose we have a period of business inactivity and low prices charged for the use of money. Who will be able and desirous of taking advantage of the low rates? Obviously the company which has already stretched its credit to the limit will not be able to borrow, regardless of whether the rate is 2 per cent or 8 per cent. It is equally obvious that if the same company has large excess plant capacity and equip-

(Continued on page 44)



now it's a dollar, now it's a dime

second of the series
of basic commodity studies
by GILBERT PARKER HAYES

Wheat, the reputed staff of life, has for the past few years been the bane of the grower's existence.

It has hardly been a staff on which the farmer could count for support; rather, it has been more closely akin to a vaudeville artist's rubber staff which bends and sags every time some slight semblance of weight is put on it.

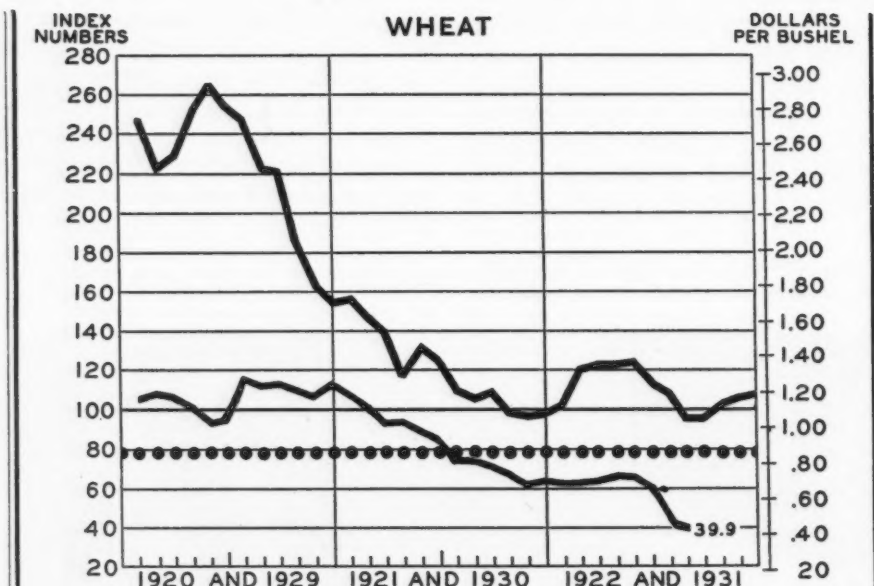
In recent weeks wheat has been the cause of front page headlines. For centuries past wheat has been one of the important crops of mankind. Having in mind the woes that have attended the wheat situation in bygone years many a planter has wished that he had never seen nor heard of the grain. But wheat in America is one of the oldest inhabitants. It antedates the Mayflower by a full century. Early in the sixteenth century it was accidentally introduced into Mexico by a negro slave who belonged to Cortez, Spanish conqueror of Mexico. The slave mixed some with rice intended for planting in Mexico and it grew so well that soon many varieties were being cultivated.

Nothing succeeds like success. It grew so well in Mexico that it spread its domain northward to Canada and southward to the Argentine. Today it is one of the world's most important crops in size and significance. Consequently the attention of the world has been focused on Chicago's wheat pit, one of the two important trading centers in the world and the scene of a phenomenal turn upward in price within the period of a month after many months of depressed levels.

On the fifth of October wheat for December delivery sold at 45 cents. That level was the lowest for cash or

? what's what with wheat?

Wheat's recent dramatic price rise started from the lowest levels to which it had fallen in the past three centuries...or since the days of Will Shakespeare, Queen Elizabeth, the Pilgrim Fathers



DECLINE OF WHEAT PRICES PRIOR TO RECENT UPTURN

dotted line: 1913 average . . . upper solid line: 1920-'21-'22 prices and lower solid line: 1929-'30-'31 prices from chart by National Industrial Conference Board

futures in the history of the Chicago market. More than that, the 45 cent mark was a level to which there was no record of wheat prices having fallen since the early years of the seventeenth century.

When last the world saw prices equal to the level of October 5, 1931, Sir Walter Raleigh, Queen Elizabeth and Will Shakespeare were still spoken of as having recently died. The Pilgrim Fathers were contemplating flight from England's religious persecution to Hol-

land and, subsequently, the wild, wooded shores of Massachusetts. Chicago was an Indian village which no white man had yet seen, and learned Europeans still held the belief that somewhere on the other side of the Atlantic there was a Northwest Passage that would allow enterprising traders a chance to navigate around that unprofitable, exasperating obstruction—America.

Down through the centuries wheat had been grown and sold and consumed;



yet not for three centuries had wheat prices tumbled to such a level. This situation came about largely because of over-production in the face of statistics and crop forecasting thereon so that those who reap may read.

Unfortunately our reapers have been readers without a desire for action. When any talk of crop curtailment was started many agreed as to the validity and logic of the idea; few followed the thought through and acted on it. Accordingly, there was a need for curtailment but little curtailment; there was plenty of soft wheat but little hard cash. The farmer was in desperate straits when suddenly reports from Europe in October hinted that the huge Soviet export contracts were not likely to be fulfilled and that American wheat would be needed in the European market.

Prices started upward at once and in three weeks had reached the levels of the preceding June with a price of 70 cents per bushel for a grain that brings profit to its American growers when it sells at twice that price. In the single unit of a 25 cent increase per bushel the rise in wheat was not great. But in the aggregate this advance meant a gain of \$40,000,000 to wheat raisers, most of which has been cancelled by a subsequent decline toward a 50 cent level.

The rising prices for wheat growers, in the opinion of Arthur M. Hyde, Secretary of Agriculture, were "not out of

line with world conditions. Acreage cuts in the southern hemisphere, slackening of exports from Russia, damaged crops in Europe and our own poor Southwestern outlook for Winter wheat, with a reduction of 16,000,000 bushels in the world's present visible supply, tend to lead one to believe that the surplus will rapidly disappear."

There in a paragraph is a pithy summary of the wheat situation. Behind such a rise there can be many factors. Hastily skimming the surface of all the developments we find many events leading up to the recovery. On August 21 the Farm Board announced that it had rid itself of 25,000,000 bushels of wheat by sending them to Brazil for a return shipment of 1,050,000 bags of coffee on a barter basis. A few weeks thereafter the Federal Board announced a sale of 15,000,000 bushels to China on long term credit for the relief of 30,000,000 destitute and homeless sufferers from China's most recent flood.

On September 12 came word of over 7,000,000 bushels sold to Germany on a three year credit. From France in October came news to the effect that its wheat crop, reduced some 20,000,000 bushels by poor weather conditions, would be inadequate and that France was contemplating a purchase of American wheat. Climactically, the Russian news followed these developments. The Soviet would need its grain for home consumption, it was reported from

many quarters, and dumping was to be eliminated. Definite confirmation of the Russian problem was impossible but traders in wheat placed enough assurance on it to begin trading with hopes of future profit from present purchases.

Other factors in the background of the rise were:

1. A short Canadian crop of approximately 270,000,000 bushels instead of the usual average of 400,000,000.

2. A spring crop in the United States of 109,000,000 bushels instead of a five year average of 274,000,000.

3. A world wheat crop in its entirety estimated to be 200,000,000 bushels lower than a year ago.

4. A rise in consumption because of the lower prices which brought more wheat into use by people and a sizeable amount into use as fodder for livestock in place of corn.

5. A poor harvest in Europe which means greater imports by countries abroad.

6. The Farm Board's switch in policy whereby it will sell no more than 5,000,000 bushels of its holdings a month except in the case of certain foreign transactions, which we have already mentioned and which accounted for the disposal from its holdings of some 50,000,000 bushels.

But with a large carryover of surplus wheat there has been an amount of pessimistic observation to the effect that our exports are too low. This, however, is rather certain to be balanced to some extent by the acreage cuts very likely to be stimulated by the present low levels in the price situation.

During the years when America was making the world safe for democracy there was added need for wheat production for home and Allies' consumption. Within two years our wheat acreage rose by one third, from 38,000,000 to 51,000,000 acres. After the war prices fell and by 1924 acreage had also fallen back to the approximately 38,000,000 acres of pre-war years.

Acreage is being cut now and for months past as well. Last year we had an acreage of 42,000,000 with a high nineteen-bushels-per-acre yield, which gave the United States a winter crop of over 750,000,000 bushels—equal to a normal spring and winter crop combined! The year 1931, however, has seen a dry autumn season with a likely yield of fifteen rather than nineteen bushels per acre, which brings out a possibility of some 500,000,000 bushels for harvesting, a reduction of one

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CONSTANT CAUSE SYSTEM AVERAGES

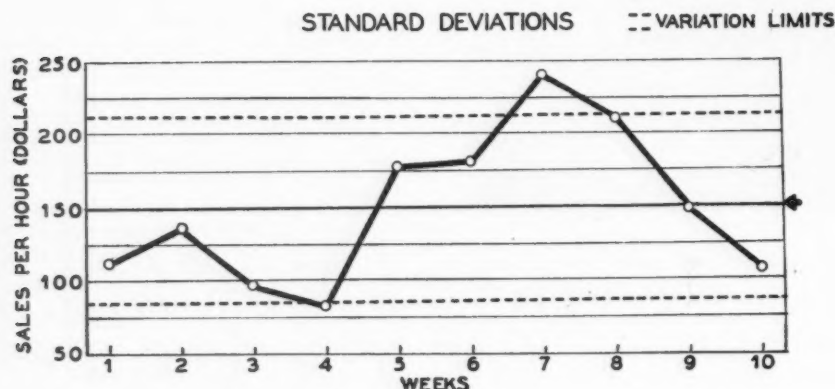
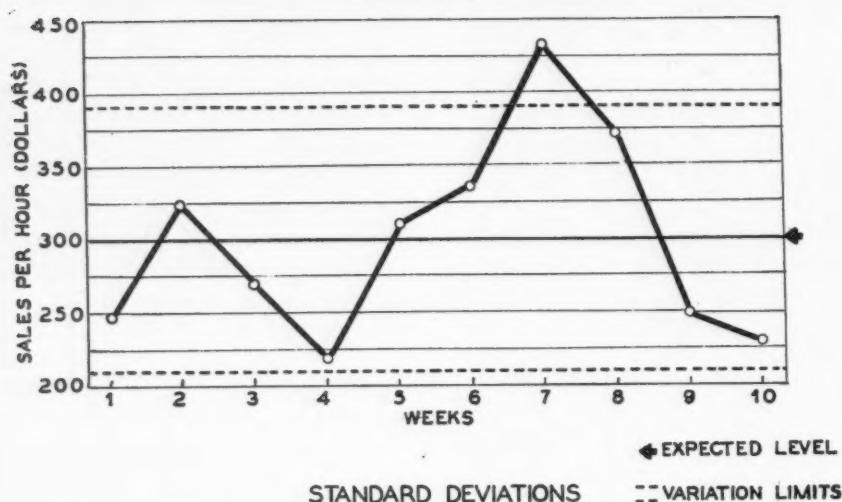


figure 1



establishing standard levels

third in the series of articles on credit calculus
by HARRY G. ROMIG, research statistician

In preparing any index it is essential that the reference level be truly representative of the price, wages earned, bond price, stock price or subject under consideration. Many indices have arbitrarily used 1926 as a Normal Year. The values thus used may be true standard levels for certain commodities or industries, but may be far from representative for other factors.

In establishing say 1926 as a normal

year the index maker has doubtless considered many years of previous data and may have made a statistical analysis of the data involved, but in general the selection of a reference year is based upon individual judgment rather than rigorous analyses. Judgment enters into statistical analyses to a great extent, but after the analyses have been made, anyone can follow the same procedure and obtain the same reference level, whereas the use of judgment alone

will usually result in a different answer for every different observer.

It is the purpose of this article to set forth the general methods employed in obtaining reasonable standard levels and show how these methods may be applied to any group of data for which an index is desired. The application of these methods to the business and financial indices presented elsewhere in this magazine will enable the average business man to determine for himself whether the use of the 1923-25 average for the Department of Commerce or similar charts is a correct assumption and whether the other standard levels are reasonable. In addition, the method for obtaining a composite business or financial index will be enunciated to enable those desirous of having one index in place of the five indices to compute such indices for themselves.

An index can serve two purposes:

- (1) Show current and past history for information only;
- (2) Show current and past history in a form which can be used to forecast future events.

The indices usually given attempt to do both, but it has been found that during the present crisis, the forecasting has usually been wrong. This can be blamed only on the basic method by which such charts have been prepared. They have taken past history and predicted that future history would be written in the same language when the underlying causes in operation were decidedly different.

If we wish to present a chart showing what has occurred in the past and at the present time, we need record only our results; or, if a graphical picture is desired, each value may be represented by a point or bar in accordance with the scale used, but such points should not be joined by a continuous line, since unconsciously the observer will attempt to predict future events from the trend line given by the continuous curve. If it is possible, the data should be compiled in such a way that essentially the same causes are in operation for the data which is to be joined by a continuous line. This is not so difficult as it might seem, as history seems to repeat itself.

Another way of doing the same thing is to establish a variable expected level in accordance with data of the same character and have a curve represent normal expectancy rather than a straight line, which is usually used. This is in accordance with business information which shows that there exist seasonal variations in all lines of business activity. A good example of

wide monthly variations is the harvesting of wheat. Although there is some difference in the periods at which wheat is harvested in different sections of the country, yet the majority of the wheat is harvested in the late summer or early fall months. Obviously the expected monthly level is not a straight line.

The first step in setting standard levels is to select data that are obtained as far as possible under the same essential conditions. Thus the initial selection of the data depends on judgment. It will probably be true that the data for any given item will have to be divided up into groups according to the cause systems which are in operation. Each individual group can now be treated separately.

The averages and standard deviations should be found for each sub-group within the main group in order to determine whether the same essential conditions were in operation during the periods in which these sub-groups of data were obtained. We have previously outlined in the first article of this series how to obtain the average exactly and how to obtain an approximate value for the standard deviation. In testing data of this character to establish standards it is essential to use the best methods, so we shall digress enough to state how to determine the standard deviation exactly.

The standard deviation is the most efficient measure of the variation about the mean. It is defined as the root mean square deviation, and is found by taking the sum of the squares of the deviations of the individual observations from the average value, dividing by the number of observations and extracting the square root of the quotient thus found.

Example:

Four observations were obtained during a week. The numerical values were 4, 7, 6 and 3. Find the average and standard deviation.

The sum of the four values is 20. Dividing by the number of observations, 4, gives an average value of 5. The deviations of the four observations from this average value are respectively: -1, 2, 1, and -2. The squares of these values are: 1, 4, 1, and 4. The sum of the squares is 10. Dividing by 4, the number of observations, gives 2.5. Extracting the square root of the quotient gives 1.58, which is the observed standard deviation.

There are short cuts in making these computations when the number of observations is large, and also when a computing machine such as the Monroe or

Marchant is used. These methods, together with appropriate forms, will be presented later.

Having found the individual averages and standard deviations for each sub-group of data, the next step is to establish tentative standard values for the average and standard deviation. The simple or weighted average of the various average values will give the best estimate of the initial standard average level. If the number of observations for each sub-group are equal, the simple average of these standard deviations may be taken and the proper correction made for the size of the samples by using the second column of Table 2 in the previous article, "Credit Calculus."

Where the number of observations varies from sub-group to sub-group, if the size of the sub-groups is large, the best estimate is obtained by taking the square root of the weighted average of the standard deviations squared, s^2 (often spoken of as the variance).

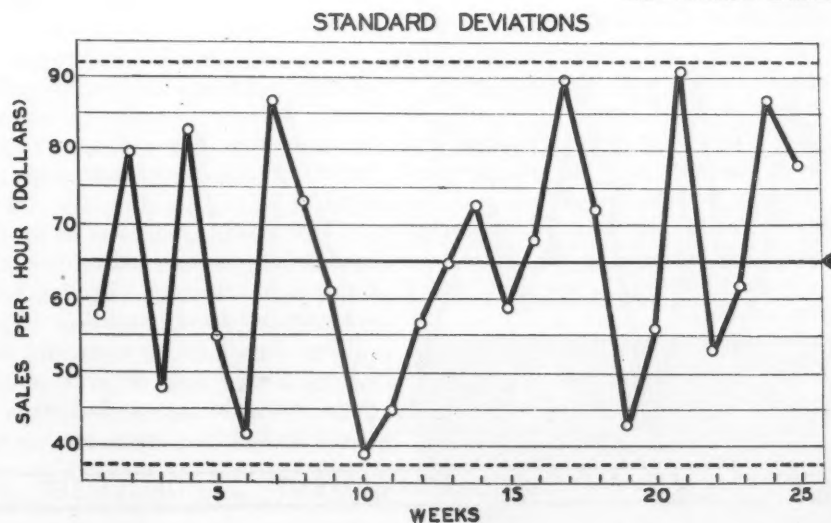
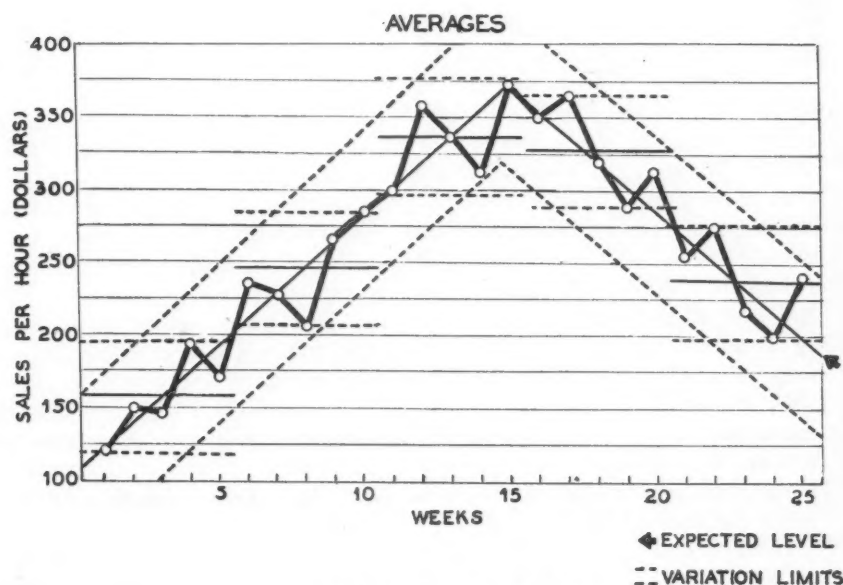
Where the number of observations is small, take the simple average of the standard deviations and find the average value of the number of observations and then apply the proper correction for that value of the number of observations, n . This gives approximately the expected standard deviation. There are more complicated methods by which the best estimate of the true standard deviation may be obtained, but the value found by this simple method will be found to be very near the correct value.

Having established tentative standard values for the two statistics, the average (M) and the standard deviation (s), the next step is to test the balance of the data to determine whether any sub-groups are significantly different from the group as a whole. The criterion used is to place limit lines about the expected levels and determine whether any of the observed results are outside the ranges: the average plus and

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figure 2

VARIABLE CAUSE SYSTEM FOR AVERAGES



B. A. Morley's promotion



B. A. Morley

by HENRY H. HEIMANN
Executive Manager, N. A. C. M.

CF Bert Lang, the genial, young Vice President of the Merlon Metal Manufacturing Company, was in a deep study. For the fourth time within a month the morning mail had brought notice of a customer's insolvency. Suddenly he pushed forward in his swivel chair, leaned over his desk, fumbled some papers before him, and pressed the button that summoned the credit man. Again and again he had gone over a perplexing problem seeking a satisfactory solution, now suddenly he reached the decision. Once made, it seemed to brighten his sober countenance and erase the wrinkles that furrowed his forehead. In response to his summons a man entered the room, closing the door behind him.

"Good morning, Bert." The greeting was in a voice that had in it intimation of nervous faltering; the man was elderly, not unimpressive in his suggestion of a fine, long-past prime.

Bert regarded him with kindly respect. His silver gray locks, deep and moist blue eyes, neat but old-fashioned garments bespoke friendliness and liking. Morley had been an important man when Bert was in the cradle.

"Good Morning, Uncle Ben, won't you sit down?"

"Thank you," replied Benjamin A. Morley, better known as "Uncle Ben" around the office of The Merlon Metal Manufacturing Company, an honorary

"Jimmy, seeing the expression on his old friend's face, gave one cry and jumped for the door . . ."

title that the younger employees had bestowed upon him in view of forty years of unbroken service with the company.

"Uncle Ben, I have some bad news this morning," began Bert in a kind and sympathetic voice.

"I know it," admitted the elderly gentlemen, who had been advised of the customer's failure. "I confess we shouldn't have shipped that bill of goods except for cash."

"Your judgment has been so uniformly excellent up to the past few months—"

"It's still sound," interrupted Mr. Morley, pleadingly. "It's my eyesight, Bert! It's my eyesight. I misread a figure in their financial statement or I never would have approved their credit."

"This makes a total loss of six thousand dollars through bad debts in about six weeks," urged the Vice President in a kindly but steady voice.

"But there'll be no more, Mr. Lang, I know there'll not. Why, in my forty years here, I've never had such frequent bad debts losses—not in forty

years—forty years—just ask the Governor,—he'll tell you."

Bert looked at the appealing figure before him; he had resolved to tell Uncle Ben that he had better resign, but he couldn't do it; it might be unbusinesslike sentiment, but he could not put the old man on the street.

"Be more careful hereafter, Uncle Ben, and you'd better get some new glasses," urged Bert as he politely excused the aged credit man.

"Just ask the Governor—just ask the Governor!" Bert felt like smiling derisively. Had he not argued against dismissal, in the "Governor's" office, until he was blue in the face, but had been over-ruled? Now he made his second decision, and gritting his teeth, arose from his chair, bolted out of the office door, slamming it as he started for the President's room. Colonel Moore's father had hired Mr. Morley, and if there was to be any firing of him, Colonel Moore's son, now the President





"I'll show you, you young up-start," shouted Uncle Ben, in a rage, "I won't have them!"

Bert, Ben was father's old standby. Now it seems to me that we have either to demote or promote Uncle Ben. If an old man like Ben would be content to step down, abdicate his headship in favor of a younger and more alert man, putting his experience at the other's service, and keeping up his old-time connections with our correspondents, it would be the best possible thing. Usually, however, a man's pride won't let him do that, if he can help it. Then, in that event, and in Uncle Ben's case, we'd have to get him out of the Credit Department by the way of promotion, to find a new job for him that will be easy, dignified and honorable. We want an Assistant Treasurer; the Treasurer now is overloaded with detail, and check signing takes up a lot of time. Uncle Ben is just the man for that task—upright, reliable, what about it?"

"I did suggest giving him an assistant, but he didn't like it," said Bert.

"All right then; I'll tell you what to do. We'll promote Uncle Ben if he is still of the same mind about an assistant. You sound him out and let me know the results."

When he returned to his office, Bert sent again for Uncle Ben and the old man returned nervously, knowing that he had been the subject of discussion by the Chief and Bert.

"I've talked things over with the Colonel, Uncle Ben," said Bert. "Of course, we can't let the Credit Department make mistakes—they are too costly. On the other hand we want to do the right thing by you. How about having a young assistant, who is able to stand the gaff better, sharing your responsibility, or relieving you of the more precise detail? You could attend to the correspondence, and that side of the work generally."

"But he'd have equal say with me. I shouldn't be Chief of the department any more," said Uncle Ben.

(Continued on page 36)

of the company, would have to do it. He'd be damned if he would.

Colonel Moore received Bert icily, after his curt, businesslike manner. Absorbed in his business, the captain of industry, at times his aloofness suggested the martinet in discipline, but those who knew him intimately realized his kindness. A strict disciplinarian unyielding in his demands as regards business efficiency, nevertheless at heart he was really reasonable and sympathetic. The difficulty was, the Colonel was so absorbed in business that unconsciously his concentration gave a false impression. Touch his heart and his broad sympathies were generously stirred.

"Uncle Ben claims it's his poor eyes that caused him to approve the Bengal order," said Bert quietly.

"Which doesn't get us the money for our bill of goods," snapped the Colonel.

"He misread a figure in their financial statement that was rather important. I, myself, have just examined the balance sheet and found the number rather indistinct."

"I presume he has some other excuse for the loss of the other accounts? The fact is, Bert, as I told you several weeks ago, Uncle Ben has outlived his usefulness around here. His excuse, in itself, is a plea of inefficiency. He's been forty years making up his mind to broaden his knowledge of credits. Forty years in trying to reach a decision that he ought to do some studying, and develop outside credit contacts. Now old age and infirmity have decided for him.

"Colonel, I agree with you, but if Uncle Ben after forty years of service has to be cast off, I can't cut the rope."

"Doesn't that sound like inefficiency in you Bert?" asked the Colonel. "Sentiment in business means inefficiency."

The Colonel wheeled around in his chair and confronted the younger man, but there was some trace of kindness in his eyes, as he rubbed his glasses.

"Then perhaps you want my resignation?" asked Bert resentfully.

"Don't be foolish, Bert; take an hour to think matters out, and I'll put on my studying cap. Of course Uncle Ben isn't an ordinary employee, and can't be dealt with as such. Still we can't have our credit man run us into bankruptcy court."

At the expiration of the hour Bert returned to his Chief.

"Well, what's the outcome?" the latter asked.

"I can't do it," said Bert doggedly, his face gloomy, but defiant.

The Chief eyed him appreciatively; he liked the youngster who did not imagine that every man past sixty was only fit to be "Oslerized."

"I've been thinking too of Uncle Ben's past services; he hasn't saved money, I guess; you're right, we can't fire him. The point is—what can be done to meet the all-round justice of the case? Pension him and he'll be hurt; if he hasn't some work here to do, he'll die of office-longings. When I was doing my thinking just now it seemed that my father came back and forbade rough dealing with old Ben. You see,



no monthly statements



a rubber stamp on such statements calling attention especially to the old balance owing. Any of these still unpaid at the end of 30 days were then followed by a letter. Next we abandoned this type of statement altogether, making statements *in detail* of items over due only—and this method required only about 15 per cent of the original number of statements which were going out monthly.

"This type of statement is one that actually does have value—and constitutes the before mentioned reservation I made. Had the old order continued, we would have had to employ two machines with two operators—also a considerable stationery and postage bill. On a guess I should say we are saving an average of \$1 a year an account—certainly worth while. And collections are as good, if not better, than in the good old days of the good (for nothing!) old fashioned statement!"

Mr. S. L. Cribari, Division Credit Manager of the Marquette Cement Manufacturing Co., Memphis, Tennessee, says, "Mr. Kase expresses my idea exactly. The monthly statement, I believe, is just an idle gesture. What happens when the average individual receives a statement? It immediately goes into the waste paper basket."

"The method which we use is similar to Mr. Kase's. Our invoices become due thirty days from date of shipment. If the account reflects a past due balance, the first collection letter in our series is forwarded. This is a simple, clear and concise letter calling attention to an invoice which we feel has been overlooked. We find that about 85 per cent of these first letters bring results.

"The old method of sending a statement delayed the writing of the first collection letter some thirty days, whereas now, within thirty days from the date the account becomes due, we have written three collection letters which, in most instances, are sufficient to bring results."

Mr. E. G. Haines, Assistant Secretary of the Canonsburg Steel & Iron Works, Canonsburg, Pa., says, "Where there are many sales to one customer in a month and payment for the month's sales are made in a lump sum on an arranged date, it is well to mail a statement but where invoices are discountable in ten days, it is not necessary to send a monthly statement. If the invoice is not paid on the due net date, then five or six days after a letter should be written asking for payment; a statement may or may not be inclosed."

Mr. Joseph W. Kraus, Credit Manager of S. Langsdorf & Co., Inc., New York City, says, "I myself discarded the practice of sending out monthly statements over six years ago because I consider it a waste of time and money except in very rare instances where customers have asked that we send them monthly statements. We do not send out statements at all. Except when an account has matured it is my practice to send out a statement and after two weeks have elapsed we send out the first collection letter, and then the account is followed up in the usual way."

"I have found out from past experience that those concerns that want to pay their bills promptly do not wait for a statement and sending statements

to those who are not in the habit of paying their bills promptly is only a waste of time and money. There was a time when a merchant usually paid his bills upon receipt of his monthly statement, but in these days of installment selling and 'what not' a statement means absolutely nothing."

Mr. S. C. Pearson, Credit Manager of the Wheeling Corrugating Company, Long Island City, New York, says, "Your 'monthly statement' hits the spot, but there is nothing novel about it, as we have not been in the habit of sending them out either for 20 years except in isolated cases where they are requested to check accounts."

"They are, I have found, a very good excuse for delaying payment or stalling, as we call it, and give 'trimmers' a chance to claim illegal discounts because of the non receipt of a statement."

"Sending a letter about a week after the invoice is due and adequately following up, has proven its worth over the old statement method. Statement making is a waste of the bookkeeper's and mail clerks' time and our money. A reasonable trial will prove any of the foregoing."

Mr. J. V. Hastings, Jr., of Hastings & Co., Philadelphia, says,

"We adopted this plan, to a limited extent, two years ago, by sending a post-card to all our customers that in future we would not send statements, and requested those that wanted them to send a return post-card requesting it. Very few requested it."

"In defense of Mr. Kase, I would say that statements are useless for the reason that we have deliberately made mistakes on statements showing customers owing too much or too little, and in very few cases do they even correct us—I originally tried it in an effort to get a letter out of delinquent customers. Furthermore, we get lots of incorrect checks where people add up several invoices, and in these cases the check would be for the correct amount if they had even looked at our statements."

"I do not say I am going to adopt the matter of 'no statements' 100 per cent, but your article is making me seriously consider adopting it."

Five other letters received, attested the writers agreed but hadn't the "nerve."

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wholesale retail credit

an interview by Paul Haase
with A. B. BUCKERIDGE
Executive Manager, Credit
Bureau of Greater New York

OF Many alert credit executives have for long known the benefits to be derived from using a retail credit bureau as an additional means of checking the paying possibilities of an account to which the granting of credit is being contemplated.

It is recognized that a good mosaic of a company's paying habits can be embellished by knowledge of the account-squaring manners of its individual members—notably, of course, the important officers in charge.

The old slogan, "tell me whom you go with, I'll tell you who you are" can be changed in credit circles to "tell me how he pays at home, I'll tell you of his firm."

This principle is not applicable in every instance but the difference between an unwise and wise extension of credit can oft-times be drawn by the use of a retail bureau's information on the paying habits of individuals in its particular trading area.

Every important business center has such a bureau and, consequently, availability and ease of access are important assets in their claim upon the efficient credit executive's attention. An interesting story of credit granting is contained within each bureau's walls. Let us remove the four walls and watch the wheels go 'round in a typical retail bureau—The Credit Bureau of Greater New York, Incorporated, the largest in the United States.

It was an oppressively warm Indian summer day when I interviewed A. B. Buckeridge, Executive Manager of this bureau. After a wait of some minutes, I was ushered into his office. He excused the delay connected with my appointment hour by saying that they had just been having a little excitement.

"Excitement?" I questioned.

■ the retail paying habits of the individuals controlling a wholesale corporation often serve as an index to the credit standing of the corporation as a whole

■ the retail credit bureaus handle individual credit ratings on a wholesale scale



a general view of the bureau with a group of the twenty Telautographs in the foreground

Mr. Buckeridge responded affirmatively. The excitement was occasioned by two girls fainting at their posts! I hastened to ask if I might not go through the bureau to see these embattled young women who, for the cause of credit information, were doing and, at least, fainting.

We started through the place. Ere we were through I was almost in a faint myself! Only a personal trip can ac-

curately put across the story of the activity behind retail credit granting. It is an amazing sight to behold.

The Credit Bureau of Greater New York was organized in 1919, to provide a credit service that will reduce credit losses and bring about a betterment in collection procedure and results. Its files have been enlarged each year since that time and new developments have been added until a complete service on



telephone bills total \$2000.00 monthly for bureau services . . . telegrams reach \$600.00



the Sortergraf speeds the sorting of reference cards and their return to the 85 files

credits and collections is now available; more than a million dollars being invested in building up this enormous amount of information.

The ownership and operation of the bureau is in the hands of its member firms, the 1,300 leading department stores, specialty shops, banks, hotels and other businesses of greater New York. For its services to members the bureau makes use of twenty Telautographs and two Teletype machines and uses the telephone and telegraph to such an extent that its bills for telephone average \$2,000 a month and for telegrams \$600 a month.

In its 85 files, the Bureau has the credit records of two and one-half millions of individuals who buy in greater New York. It employs 175 people and

handles more than one-half million credit investigations a year, placing on file annually more than two hundred thousand derogatory items alone. From the member firms of the bureau a Board of Directors and ten committees of responsible credit managers are chosen to direct its activities.

The procedure for retail credit granting in New York, which is very similar to that employed in every other retail bureau throughout the country, causes each member to furnish the bureau with a complete list of derogatory accounts and each member must report daily each account as it becomes unsatisfactory. Then, when each application for credit by one of the member stores is cleared

through the bureau, the member, through the bureau's efforts learns how the individual does or does not pay his accounts and thus can refuse credit when delinquent accounts are owing to other members.

As soon as a member reports an unsatisfactory account or derogatory item, the information is immediately placed in the bureau's files and each member who is on record as having an account with the party is notified. Thus the debtor finds it difficult to obtain further credit until the member is paid, and no more than one member need be victimized by the same individual, because once the item is reported it automatically comes to light every time credit is requested. Once a member's name is on record in the bureau as having an account with the individual he receives a warning notice whenever derogatory information is sent in by another member thereafter.

In the opinion of Mr. Buckeridge, however, the moral effect of the bureau is its greatest asset, because "when customers know they will be unable to secure credit if they do not pay promptly, they are going to be more careful in taking care of their debts and many accounts are collected merely through using the name of the organization."

There are two types of credit reports put out by the New York Bureau—trade clearances and special reports. Trade clearances cost \$.35 each and reveal the paying habits of the individual. Because of the urgent necessity for immediate information on a customer requesting credit, speed is one of the dominant aspects of retail credit granting procedure. Bureau members can telephone and the information on file will be read while they wait on the line, and the wait is only of moderate duration because of the expert and highly centralized system of indexing of information. If speed is not absolutely necessary, inquiries can be made by mail or by messenger and a typewritten copy of the paying habits of the man or woman on file is returned within twenty-four hours.

On both telephone and written inquiries, the bureau clears all references given by the inquiring firm by mail, or by messenger and the member firm receives them separately as fast as they are returned by the members and noted on the master card in the bureau. That is the scope of the trade clearances.

(Continued on page 44)

know where

an effective system
developed and applied
by RALPH E. JUDSON, C.P.A.

Q The most frequent query upon the lips of the head of almost every business to-day is, "Where do I stand?" Never were conditions more deceptive than now, with the feeling of uncertainty as to where finances are heading.

The insistence of the continual question is all to the good; that is, supposing it is satisfactorily and truthfully answered.

In the large and small business alike the importance of accurate financial information cannot be over-rated. It must be prepared regularly. It must be accurate, exhaustive, yet simply recorded. It must be put to service in cutting out waste and unnecessary expenditure before such have reached dangerous proportions.

In 90 per cent of the official bankruptcy cases recorded the debtor puts forward the explanation that he was unaware of how things were going. He did not know his position until too late to rectify it.

All the planning and budgeting in the world are valueless if figures representing actualities are left hidden away

each day's record is contained on the single leaf of a loose-leaf pocket book of convenient size. . . . a weekly statement, prepared from this, gives a comprehensive review

in books of account rarely analyzed and never properly made to show their real meaning.

The experiences of one well-known firm may serve, not to illustrate my point—with which I feel no one will disagree—but to give a concrete example of how necessary information may be easily prepared, simply recorded and satisfactorily preserved.

The business of this company had expanded very rapidly during the boom period. Conditions appeared—and were—so satisfactory that there was little need for a firm hand and severe eye to be kept on finances.

But even before the appearance of the slump which was to complete the undoing of so many successful concerns, the danger line was rapidly being approached by this particular concern.

Too much speculation carried out without necessary reserves had led them to build out of proportion to realizable assets. And although the product held a wide popularity and sold extensively, it was remarkable that such small profits were available for division among the shareholders.

This condition of things very naturally led to a close examination of the company's affairs. Luckily the management was in time to avoid a catastrophe, but the lesson learned as a result of the effort to resist the spreading chaos was that some method must be found to keep immediate track of every financial step.

A number of improvements upon the

old system—or lack of system—were evolved. The first was this:—

The treasurer of the company had been in the habit of memorizing essential figures, or, at all events, figures considered to be essential. This was changed, and he now keeps a daily record on the lines of the form illustrated.

Each day's record is contained on the single leaf of a loose-leaf pocket book of convenient size. The treasurer always has the book with him, and at any moment is in a position to satisfy the normal demands of any official of the firm for current information as to the financial position.

The plan had not long been in operation before details commanding retrenchment were brought to light, and the places where reduction was possible pointed out.

It is not suggested, of course, that this plan in itself was sufficient, but it was of great help.

For instance, as a guide to commitments it was excellent. It acted as a daily warning signal.

At the end of each week a weekly statement was ruled, embodying the daily details for the past week. This gave a comprehensive review and facilitated reference.

In order to accentuate contrast in rapid reference, cash at bank and in hand also sales were entered up in black ink. Purchases, salaries and wages (both these latter weekly figures), commitments and checks out were written in red ink.

By reviewing the cash in hand line over a period of a week or so in comparison with the sales figures, the treasurer was in a position to know whether any large credits were constantly standing. This gave him the signal that, where necessary, pressure must be brought to bear in order that certain accounts be got in.

The usefulness of this record became more than ever manifest when the commitments line neared the danger zone. Indeed, in this company, where buying was not confined to one person, it was not always possible to know what commitments were being made until invoices and demands came in. But un-

TREASURER'S NOTES

	Nov. 1	Nov. 2	Nov. 3	Nov. 4
Cash at bank				
Purchases Land				
Buildings				
Plant Equipment				
Stock				
General				
Cash to hand (Receipts)				
Salaries				
Wages				
Commitments				
Plant etc.				
Stock				
Special				
General				
Sales New London				
Brighton				
Birmingham				
Checks Out				



heyl

you stand!



der the reorganization, each official having such power was compelled to send the treasurer a daily list of such items.

These he grouped under the heading of purchases, this being meant for all items chargeable to revenue, together with such capital expenditure actually incurred.

The heading of commitments was meant to cover purchases of shares in other companies, goodwill, loans and any other such expense not connected with the actual carrying on of the business. In other words, every item, while not a book figure at the time of inclusion, was still a liability for future liquidation.

From this information more reliable estimates were obtainable, and it then remained to be seen how far these estimates were justified.

The following plan was decided upon. Each month a statement was taken of expenditure and sales, grouped under various headings.

To arrive at these headings the business was classified under types of sales or goods, and all expense was analyzed accordingly. First the sales day book, which provided the index to the types, was analyzed on the opposite page, and columns provided for this division, to agree with the grand total.

While this had been a usual procedure hitherto with the company referred to, these headings represented only finished types and had no regard to inter-division of manufacture and cross-relationship, which is such a vexed question with most manufacturing concerns, and necessitates a large costing staff to analyze.

To obviate this trouble the headings were reviewed, and, after examination of the conditions prevailing in the manufacture, the headings were rearranged on a more simple plan, so that the labor and material purchases were more readily divisible to finished types.

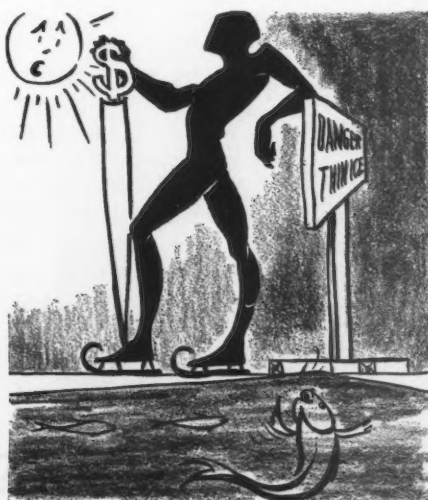
It will easily be seen that the whole aim was a sensible but simple policy of agreement between departments and types under which all revenue expense, whether purchase of material or labor, was allocated to its type. As a large stores system was in operation, it was

an easy matter to obtain this information through the work's clerical channels. But for a firm adopting this plan, where no such system prevails, analysis of the purchase book at the time of the passing of invoices under stock headings to agree with the sales headings will overcome this difficulty.

In taking the nominal or overhead expenses care and forethought was necessary. Rent, rates and taxes were divided up according to the superficial areas of the departments manufacturing the types of production which we have regarded as sales headings.

General insurance against fire, burglary, etc., could not very well be analyzed to headings, and, as shown in the specimen ruling, was split up evenly. Postages and telegrams were symbolized in the postages book at the time of posting and analyzed weekly. Stationery, advertising and commissions were also readily allocated to departments.

In regarding items of electricity, water and gas, it must be remembered that reserves should be made for supplies paid for but not yet consumed, or, on the other hand, supplies consumed, for which no invoice has been passed. This will apply to any expense of a similar nature, of course, and these facts were recognized in working out the schemes.



? do you keep a trustworthy record of vital fluctuating factors?

Non-productive wages and materials covered case makers, packers and all labor and materials which could not be regarded as productive.

In this way a total classification of the overhead expense was arrived at, as shown by the example given, and a ratio provided.

When the totals of labor (productive) and materials (productive) are added to the amount of expense under each heading and subtracted from the amount of sales, it is seen what profit each department is showing.

By this means it was found that some departments were showing quite considerable losses, while others were making profits. It was then possible to make detailed investigations and use the "axe" where found necessary.

In the case of this single firm, by the means I have described, large savings were effected, and the firm put into such a position that the slump has made small effect. No costly plans are necessary and no increase of staff. That is why the scheme should find a multitude of users.

at the end of each month a statement is made out showing expenditure and sales under various headings and for each department . . . thus a total classification of overhead expenses is determined, and a ratio provided

MONTHLY STATEMENT

	Dept. 1	Dept. 2	Totals
Rent Rates & Taxes			
Insurance (Gen.)			
do. National Health			
Telephones			
Auditors' fees etc.			
Postage & Telegrams			
Newspapers			
Stationery			
Advertising			
Donations			
Commissions			
Electricity a/c. less reserve			
Gas a/c. do.			
Water a/c. do.			
Salaries & Directors' fees			
Office Expenses			
Wages Non-Productive			
Materials Non-Productive			
Total Non-Productive Cost			
Sales			
Overheads-per \$ of Sales			

of thrift once acquired is a very real asset both to the individual and to the community. Installment selling has made the American people work harder, produce more, earn more, and spend more.

Actual possession, not the hope of possession, is the stronger incentive to a man to save out of his income sufficient funds to buy worthwhile things, which although not absolutely necessary for existence, greatly increase the joy of living. The modern worker buys labor-saving devices to give him and his wife more leisure time, and then an automobile, radio, books, and what-not by means of which to enjoy that leisure time.

Installment selling makes for a higher standard of living among all classes. The laborer who formerly lived in a shack now buys a home and furnishes it by means of deferred payments, and enjoys it while he earns the money to pay for it. Installment credit enables the man of moderate means to buy at one time an entire suite of furniture or even an entire outfit for the home. So large a purchase ordinarily could be afforded only by the well-to-do. For this advantage of immediate enjoyment, the consumer is willing to pay.

Economic barriers are being wiped out between the rich and those in moderate circumstances. The working man with his small car can ride over the same boulevards, breathe the same fresh air, and see the same scenery as the millionaire in his Rolls Royce. Over the air the poorer man can listen to the same high priced artists who appear in person before the social elite.

The installment plan encourages the purchase of articles the possession of which means actual saving to the consumer. The washing machine is an example of this type of purchase in the home field, and there are countless examples in the industrial field.

Instead of contributing to extravagance and waste, the discipline of meeting installment debts has taught many people to save and acquire property. Men and women, in making use of the installment plan, learn how to budget their income and divide it up in order to meet these payments, something that never entered their minds until they had obligated themselves. Having once tasted of the better things of life, they will make every effort possible to maintain their standard of living.

There is good reason to believe that the installment plan does far more to strengthen the moral fibre of those who develop control and habits of planning ahead by its aid than it does to weaken the moral fibre of those whom it tempts into extravagance. By giving people the things they need at the moment they need or want them most, it uplifts their morale and outlook upon life. They are spurred on to increase their earning power and to exercise economy in order to keep their fingers from slipping off this higher step on the social ladder.

The Department of Labor has tabulated the budgets of a number of families with an average income of \$2,400 a year, which is supposed to represent the income of the usual American city family. The average payment on installment purchases was only a little over \$1.00 a week. Certainly such a figure is not extravagant. If that dollar were not applied on installment purchases, the chances are that it would be spent for a couple of tickets to the moving pictures or some similar item.

Approximately 60% of the automobiles are sold on the installment plan. Besides the indirect effect of these sales on road building, the development of suburban property and home owning, etc., into the construction of these cars goes 85% of the plate glass manufactured, 60% of the plush and velours, 30% of the raw steel and other basic commodities such as paints and varnishes and rubber. Cease selling auto-

mobiles on installments and every industry in America, from the filling stations to the railroads, would be immediately affected. Vast armies of profitably employed men and women would be thrown out of work.

Installment selling enables a new article to come into general use more rapidly than otherwise would be possible. Today the use of the oil burner and mechanical refrigerator is increasing by leaps and bounds. At the same time their quality is improving and their price is decreasing. It may be said with fairly sound basis that installment selling is aiding the rapid advance of civilization.

In the great industrial plants stock is being sold to the employees on the installment plan. This is bringing capital and labor closer together. The working man becomes a partner in the firm for which he is working and has a greater desire for its success.

When a person has something in mind that he wants, but has not the money to pay for, he can do one of three things: save up enough money to buy for cash at some distant future time, buy it on the installment plan, or do without. If after weighing the cost of deferred payments against the present utility of the article, the purchaser decides that he is willing to pay the additional cost for the privilege of enjoying the ownership and use of the article a year sooner, who is the loser?

When goods are sold on the installment plan
(Continued on page 41)



"economic barriers are being wiped out between the rich and those of moderate means"



"over the air, the poorer man can listen to the same high priced artists who appear in person before the social elite"

EN The installment plan furnishes the means of opening up a market among people who want and need an article but who do not have and will not accumulate the cash with which to make an outright purchase. A man will pay for an article he has already bought and is enjoying when he will not save up money to purchase the same article. Whether it would be better if he did is beside the question; the fact is that the average American citizen will not save in order to make a purchase a year from now.

A manufacturer offering an oil burner at a price ranging from \$600 to \$900, at the height of the fall buying season received twenty inquiries from a full page advertisement in a New York newspaper. Upon establishing the deferred payment plan, the same manufacturer received 2,100 inquiries from a page run in the same daily at a period of the year when no one was supposed to be thinking about heating equipment.

The great possibilities of the plan in the industrial or income-producing machinery and equipment field have been separately discussed.

One of the best justifications of the

installments' two-way gain

▣ forced saving lifts the buyer to a higher plane of living

▣ added volume lowers cost and increases seller's return



By GARY UNDERHILL



installment plan has been the reduction of the cost of articles to the consumer through mass production. The cash buyer has the full benefit of this, and the charges in connection with the financing of an installment purchase are probably less than the additional cost of the commodity would be under conditions of strict cash or thirty-day terms, because restricted volume would materially increase the unit price.

Installment selling accounts for approximately 60% of the sales in the motor industry. Could some substitute have been found to absorb more than half the production of this great industry? It seems safe to say that if installment selling had not been available in this particular field, a medium grade car would cost about \$200 more than at present, because of reduced production. Installment selling has made possible the mass consumption upon which mass production depends.

Some years ago at a dinner of the Swift Packing Company employees in New York, Louis F. Swift, head of the corporation, said: "Boys, I am going to give you some advice that will surprise you. Get into debt and dig out! I know this is contrary to what you are usually told, but my judgment, backed by experience, is that this is one of the best ways of getting ahead. Do not deprive yourself of the things you want and ought to have because you can not

pay cash down. Get yourself a home, furnish it decently, and do other things that will tend to your comfort while you are able to enjoy it. What sense is there in hanging on to savings until all the zest is gone out of life? So I say again, get into debt and dig out. Then you have some real object before you."

This is very similar advice to that of Henry Ford about three years back, when he advised the young men to invest in themselves during the early part of their careers instead of hoarding up money. Too many people pinch themselves blue, go without things the bolder or more fortunate enjoy, until they are too dried up and miserly to appreciate anything, besides keeping themselves far back on the social scale.

The stimulating effect of installment selling is not mainly to increase the amount of money spent for goods, but chiefly to permit the making and selling of a great quantity of relatively costly goods of more or less permanent value which otherwise would not be made at all. A large proportion of the money paid on installment contracts is money which otherwise would be spent in dribblets for small items of no permanent value or benefit to the consumer. Installment buying, when applied to goods of lasting character, is a form of forced saving. It means compulsory economy and budgeting, and the habit

State	City	Collections	Sales	State	City	Collections	Sales
Tex.	Austin	Fair	Fair	Wash.	Bellingham	Slow	Fair
	Dallas	Fair	Fair		Seattle	Fair	Slow
	El Paso	Fair	Slow		Spokane	Fair	Fair
	Fort Worth	Fair	Fair		Tacoma	Fair	Fair
	Houston	Fair	Fair		W. Va.	Bluefield	Slow
	Wichita Falls	Fair	Fair	Charleston		Fair	Fair
				Clarksburg		Fair	Fair
Utah	Salt Lake City	Slow	Fair		Wheeling	Slow	Fair
				Williamson	Slow	Fair	
Va.	Bristol	Fair	Fair	Wis.	Fond du Lac	Slow	Slow
	Lynchburg	Slow	Fair		Green Bay	Slow	Slow
	Norfolk	Fair	Fair		Milwaukee	Fair	Fair
	Richmond	Fair	Fair		Oshkosh	Slow	Slow
	Roanoke	Fair	Fair		T. H.	Honolulu	Fair

■ comments on collections and sales conditions ■

ARIZONA: Phoenix reports, "We are experiencing the usual slowing up of business in the northern part of the State and the speeding up of business in the southern part. Arizona is divided into two contrasts; the northern part of the state during the winter is snow-bound and business is poor, whereas, in the northern part of the State business is good in the summer. In the southern part business is poor in the summer and good in the winter when the season is reached and people come into the State to spend the winter."

ARKANSAS: Farmers in this state are fast paying their debts and visualizing better times as they harvest the largest and most diversified crop in recent history.

CALIFORNIA: There is a feeling throughout the larger states that business is improving slightly.

COLORADO: Collections and sales are "Fair" in Denver, but there is a better feeling for a bright future.

CONNECTICUT: New Haven informs us that more optimism is prevalent now than there has been for some time. Waterbury states that recent retail sales received excellent response, and, therefore, it is apparent that money is available for bargains. The local sentiment in that city is more encouraging than the forced optimism of past months.

FLORIDA: "Because of continued very warm, and

in most of the Jacksonville territory very dry weather, the Fall business is very poor. Sales, Miami says, should be better in general lines to be in keeping with last year.

GEORGIA: In Atlanta some improvement is noted especially in retail sales.

ILLINOIS: Quincy reports collections showing some improvement, but from Rockford we receive information that the effects of three banks closing have a tendency to slow up collections. In sales there is a little improvement in the machine line.

INDIANA: There is a great feeling

of optimism in Evansville in the report that, things are looking better since wheat went up and some coal mines are starting operations. Forty Wayne reports collections and sales slightly improved. Terre Haute sends in a report that collections seem to have slowed up lately. However, the city is in fair financial shape, not one of the banks having suspended. Manufacturing plants are running fairly good. The mines though are not doing so well. The summarization, however, is that the city has come through the depression in fairly good shape.

IOWA: Conditions throughout the state seem to be fair, although we have been informed by Davenport that collections and sales are slow due to the closing of banks. Waterloo also reports collections quite slow, but sales are fair.

MASSACHUSETTS: Generally report is fair for sales and collections in this state. Springfield reports sales and collections fair to good and improving, and general opinion is that big upturn will take place commencing with the new year.

MICHIGAN: Detroit reports, although weather conditions, has a retarding influence, merchandise stocks are admittedly low.

MINNESOTA: St. Paul advises that comments on collections seem to indicate normal payments, and fully equal to what they

(Continued on p. 51)

changes since last month's survey

State	City	Collections	Sales
Arkansas	Ft. Smith		Fair to Slow
	Little Rock	Slow to Fair	Slow to Fair
California	Oakland	Fair to Slow	Fair to Slow
	San Francisco	Fair to Slow	
Dist. of Col.	Washington	Good to Fair	
Illinois	Galesburg		Fair to Slow
	Peoria	Slow to Fair	
	Quincy		Slow to Fair
	Rockford		Slow to Fair
Indiana	Terre Haute	Good to Fair	
Iowa	Ottuma	Slow to Fair	Slow to Fair
Massachusetts	Worcester		Slow to Fair
Michigan	Detroit		Slow to Fair
	Jackson	Slow to Fair	Slow to Fair
Minnesota	Duluth		Slow to Fair
	Minneapolis		Fair to Slow
Nebraska	Lincoln		Fair to Slow
	Omaha	Slow to Fair	
New York	Utica	Good to Fair	Good to Fair
Ohio	Cincinnati	Slow to Fair	Slow to Fair
	Cleveland	Slow to Fair	
	Dayton		Fair to Slow
Pennsylvania	Johnstown		Slow to Fair
Rhode Island	Providence	Fair to Slow	
South Dakota	Sioux Falls	Fair to Slow	Slow to Fair
Tennessee	Memphis	Slow to Fair	Slow to Fair
Texas	Wichita Falls	Slow to Fair	
Washington	Bellingham		Slow to Fair
West Virginia	Bluefield	Fair to Slow	
	Wheeling		Slow to Fair
	Williamson		Slow to Fair

nation-wide collection and sales conditions

what they are at present
the outlook for the near future

CFM CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. It is based upon reports from large cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and

manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in

each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Montgomery	Slow	Fair		Lansing	Slow	Slow
Ariz.	Phoenix	Slow	Slow		Saginaw	Slow	Slow
Ark.	Ft. Smith	Fair	Slow	Minn.	Duluth	Fair	Fair
	Little Rock	Fair	Fair		Minneapolis	Fair	Slow
Cal.	Los Angeles	Fair	Fair		St. Paul	Fair	Fair
	Oakland	Slow	Slow	Mo.	Kansas City	Slow	Slow
	San Diego	Fair	Fair		St. Louis	Slow	Slow
	San Francisco	Slow	Fair	Mont.	Billings	Fair	Fair
Colo.	Denver	Fair	Fair		Great Falls	Slow	Fair
	Pueblo	Fair	Fair		Helena	Fair	Fair
Conn.	New Haven	Fair	Fair	Neb.	Lincoln	Fair	Slow
	Waterbury	Fair	Fair		Omaha	Fair	Slow
D. C.	Washington	Fair	Fair	N. J.	Newark	Fair	Fair
Fla.	Jacksonville	Slow	Slow	N. Y.	Albany	Fair	Fair
	Miami	Fair	Fair		Buffalo	Fair	Fair
	Tampa	Slow	Slow		Elmira	Fair	Fair
Ga.	Atlanta	Fair	Fair		New York	Fair	Fair
	Macon	Fair	Fair		Rochester	Fair	Fair
	Savannah	Slow	Slow		Syracuse	Fair	Fair
Idaho	Boise	Fair	Fair		Utica	Fair	Fair
Ill.	Galesburg	Fair	Slow	N. C.	Charlotte	Fair	Fair
	Peoria	Fair	Slow	No. Dak.	Fargo	Fair	Fair
	Quincy	Slow	Fair	Ohio	Cincinnati	Fair	Fair
	Rockford	Slow	Fair		Cleveland	Fair	Slow
	Springfield	Fair	Fair		Dayton	Fair	Slow
Ind.	Evansville	Slow	Slow		Toledo	Slow	Slow
	Ft. Wayne	Fair	Fair		Youngstown	Slow	Slow
	Indianapolis	Slow	Fair	Okla.	Oklahoma City	Slow	Slow
	South Bend	Fair	Fair	Oregon	Portland	Fair	Fair
	Terre Haute	Fair	Fair	Pa.	Allentown	Slow	Slow
Iowa	Burlington	Fair	Fair		Altoona	Slow	Slow
	Cedar Rapids	Fair	Fair		Harrisburg	Slow	Slow
	Davenport	Slow	Slow		Johnstown	Slow	Fair
	Des Moines	Slow	Slow		New Castle	Slow	Slow
	Ottumwa	Fair	Fair		Philadelphia	Fair	Slow
	Waterloo	Slow	Fair		Pittsburgh	Fair	Fair
Kan.	Wichita	Fair	Fair		Scranton	Slow	Slow
Ky.	Lexington	Fair	Fair		Uniontown	Slow	Fair
	Louisville	Fair	Fair		Wilkes-Barre	Slow	Fair
La.	New Orleans	Fair	Fair	R. I.	Providence	Slow	Fair
Md.	Baltimore	Fair	Fair	So. Dak.	Sioux Falls	Slow	Fair
Mass.	Boston	Fair	Fair	Tenn.	Knoxville	Fair	Fair
	Springfield	Fair	Fair		Memphis	Fair	Fair
	Worcester	Fair	Fair				
Mich.	Detroit	Fair	Fair				
	Jackson	Fair	Fair				
	Kalamazoo	Fair	Fair				

"this month's collection letter"

Dear Mr. Brown

"Business will take on new life when everybody begins helping everybody else."

The many bank failures during the past ten months have caused people to withdraw their savings from banks, and many hesitate to make investments of any kind, consequently the channels through which money flows have about dried up.

Money to business is like Blood to the human body—stop circulation and the patient soon dies.

We believe cooperation and the Golden Rule will lubricate the rusty wheels of business and "Keep The Mill Running." Our motto is, pay some on account and buy what one really needs.

Yours truly,

TENNESSEE MILL & MINE SUPPLY COMPANY

J. H. HENDERSON,

Secy.-Treas.

Amount due:

We present our seventeenth "this month's collection letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

Our "Collection of Collection Letters" is now in readiness, covering the first year's prize specimens of "please pay" monographs. Several credit executives have written to CREDIT AND FINANCIAL MANAGEMENT asking for a series of these letters and we wish to make this announcement:

A complete series of individual numbers of the collections letters which have appeared in CREDIT AND FINANCIAL MANAGEMENT are available to our readers at a minimum service charge of 5 cents a letter, payable, to eliminate accounting detail, with your order requesting the letters. Address inquiries for these letters to Miss Susan E. Hutter, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York.

This month's contribution to our collection letter series is one which does not

demand payment, but in a subtle fashion implies the economic importance of money turnover. For the money value of money turnover we refer you to the November issue of CREDIT AND FINANCIAL MANAGEMENT, in which appears an article entitled "The True Cost of Slow Pay." By glancing through the table in that article it will be readily ascertainable just how much delinquent accounts cost the creditor firm in the amount of profit which could have been realized had the money been paid on time and used in the furtherance of its business activities.

Like most good collection letters, this letter contributed by J. H. Henderson, Secretary-Treasurer of the Tennessee Mill and Mine Supply Company, is relatively short, perhaps based on the principle that brevity is the soul of wit. In

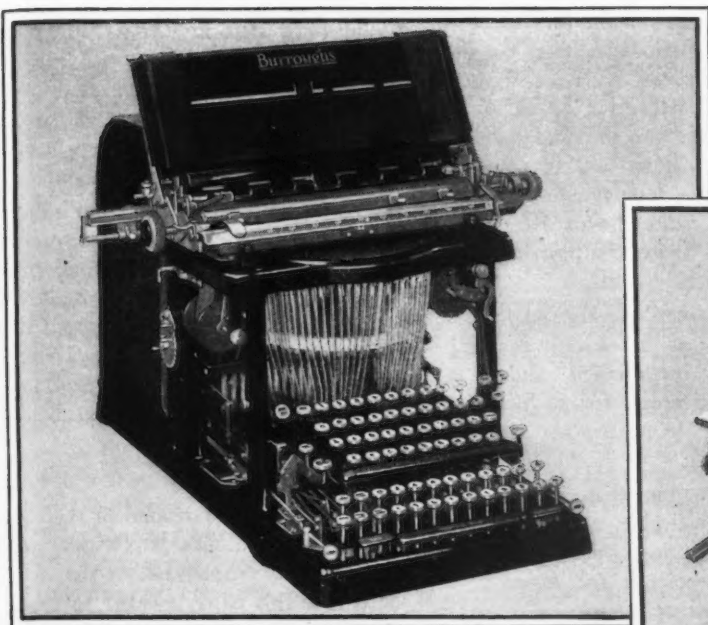
these comparatively parlous times the efficient collection manager must have his wits about him continually!

A quick reading of Mr. Henderson's letter, or a thorough analysis, brings out, in either case, the essential fairness of his proposition to the debtor to pay the bill owing the company. The use of the postscript for the amount due still allows the letter to present to the debtor's attention the full amount and yet keep the body of the letter itself away from a dunning tone.

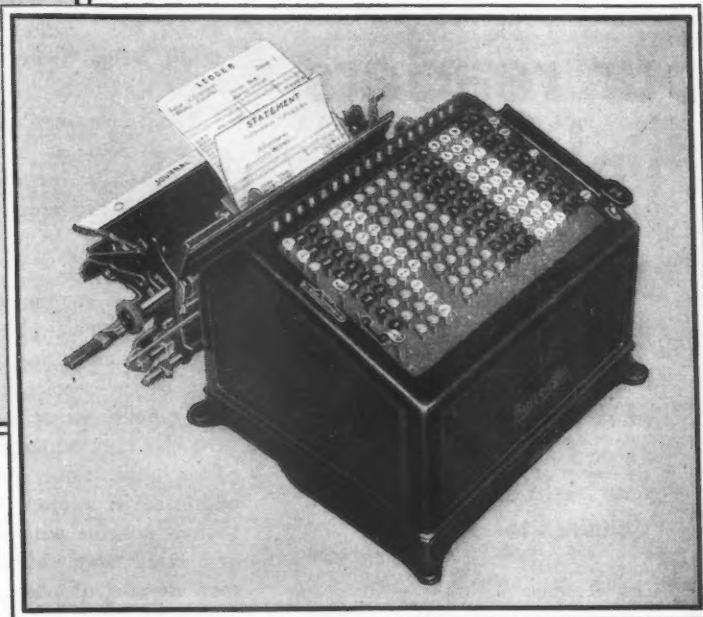
CREDIT and FINANCIAL MANAGEMENT . . . DECEMBER, 1931

BURROUGHS

AUTOMATIC BOOKKEEPING MACHINES



*with or without
typewritten description*



Whether or not your accounts receivable or accounts payable posting requires typewritten description, there is a Burroughs Automatic Bookkeeping Machine that will do the work faster, more economically and with greater ease. These machines not only have many automatic features, but they also provide for the posting of two or more related records at one operation. Among the combinations of records that can be handled at one time are the following:

Accounts receivable ledger, customer's statement, and proof journal (with or without carbon).

Accounts receivable ledger and distribution of sales, cash, or miscellaneous entries.

Installment ledger and distribution of sales by departments or distribution of cash receipts (revenue) by years of sale.

Accounts payable maturity (due date) ledger or remittance advice and invoice register.

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our readers think



**I wholly disapprove of what you say and will defend to the death your right to say it.—
Voltaire to Helvetius**

Our Readers Think is an open platform for our readers. Criticisms of all kinds will be published on this page. We believe in the strength and power of controversy. We believe in both brickbats and bouquets. There is one brickbat this month, perhaps we will have better luck next month.

good jokes vs. bad bills

There is, as was to be expected, quite a divergence of opinion in the reactions of our readers to the recent article on the use of humor and sprightliness in collection letters. Many letters have been received from readers who approve the occasional use of a light touch, but it is, of course, necessary to keep in mind the fact that humor and sprightliness should be exceptions more often than regular procedure in the writing of "please pay" monographs. The most important feature of our discussion is that many more than one would suspect are using the sprightly touch.

From James F. Clyne, Editor of the New York University "Alumnus" magazine, and instructor in the Business English Department at the University,

comes a fine summary of the purpose behind collection letters and the occasions when the lighter vein might be employed.

Dear Sir:

My opinion is that, generally speaking, it is unwise to write humorous and poetic collection letters. A debt is a serious matter to the creditor and should be a serious matter to the debtor. If a debtor receives a humorous or poetic collection letter, it is only natural for him to conclude that the creditor will be willing to wait just a bit longer for payment. Meanwhile, the creditor who has been deadly serious about the past-due account will receive a check.

Retail customers are trained to regard a debt as a serious matter. Hence, it is inconsistent and undoubtedly dangerous for a business to use humor or poetry in its collection letters.

It seems to me that humor or poetry, if practicable as devices to be used in collecting, should be confined to the wholesale and manufacturing fields, where companies recognize the importance of credit in all of its implications, and hence can be addressed in a more forthright way than is possible with most customers of a retail store. Moreover, since the total number of accounts of a manufacturing or wholesaling company is not usually large, it is able to maintain close contact with its customers.

Because of this close contact, a credit manager who knows the company and some of its personnel may, provided he thinks it would be effective, resort to humor and poetry. The counselor mentioned in the article who said to Maxwell Droke, "If I can do that (collect money) with formal, conventional letters, that's fine; but if a good joke will help me collect a bad bill, I'm in favor of the joke" was merely stating a fundamental rule of effective business writing: that the kind of ammunition to use in a letter depends upon the best way of bagging the quarry.

To sum up: Wholesalers and manufacturers can probably use humor and poetry effectively, but only in those cases where, all things considered, they seem desirable. In such cases the letter, while humorous, has not the weakness it would have with retail customers, who might tend to under-estimate the importance of paying promptly. Even in the whole-

sale and manufacturing field, however, the use of humor offers a temptation to defer payment. And the serious-minded creditor will get the money.

thank you,
kind sirs

Our own ideas in layouts and presentation of articles and the use of small letters instead of capitals has gained some measure of approval in the past months, but many of our readers have queried, "What's it all about?"

Here follow two letters from editors of banking journals. The first one is from Winthrop B. Greene, Editor of Publications, Federal Reserve Bank of Philadelphia, and the second comes from R. E. Doan, Editor of The Denver Banker, published by the Denver Chapter of the American Institute of Banking.

Dear Sir:

As a long-time reader of CREDIT AND FINANCIAL MANAGEMENT, and the editor for many years of the "3-C Book" of this bank, I want to speak of a few points that seem to mar the make-up and artistic quality of your magazine. I have given very careful attention to the matter of capitalization and have published an article on it in our magazine, embodying the rules which we try to follow in all our publications.

In your good editorial on page 5 of the October number, you have, I think, capitalized correctly, except in the title, where, if capital letters mean anything at all, the H in "he" should be upper case. You have capitalized "India" and "Rome," yet on page 52 you lower-case "Washington," an amazing slap at good usage, and, it seems to me, wholly indefensible. I find the lower-case titles of all your articles extremely unpleasant and would like to know how you justify the usage.

One more point: It seems to me that to run cuts to the extreme edge of the page is decidedly inartistic and well-nigh destroys the value of the picture. Your page 23 is a mess; I can't call it anything else. I notice your advertisers don't permit any such wild ideas in the set-up of their copy.

I hope you will not take my remarks unkindly. They are meant as constructive criticism.

Here is an unsolicited reply to Mr. Greene, which was written the same

day as his letter and arrived in our office the day after the former.

Dear Mr. McCall:


I have read and enjoyed thoroughly your editorial, "He Eats Birdseed," in CREDIT AND FINANCIAL MANAGEMENT for October, 1931. I would greatly appreciate it if I might have permission to reprint this editorial in the Denver Banker. This magazine is the official publication of Denver Chapter, American Institute of Banking, and goes to every bank man and woman in Denver and surrounding towns.

I feel that your article would be a worth while contribution to our magazine, and I know it would be appreciated by our readers. If granted permission to reprint it, we will, of course, give credit to your magazine.

Incidentally, I want to take this opportunity to express my admiration for CREDIT AND FINANCIAL MANAGEMENT. It contains some of the most worth while articles to be found in any business magazine, and the layout and typography are outstandingly interesting and attention-compelling. I look forward to receiving it each month.

? should collection fees be charged to the debtor?

By A. H. HAZZARD
Grace Corset Co.

 Business in general would be much benefited if all manufacturers and wholesalers adhered to one rule, that is, to decline to ship merchandise under open account terms after collection fees have accrued on former transactions, unless the debtor refunds the fees and supplies credit information which is sufficiently favorable to justify reinstatement of regular terms.

This rule has worked very satisfactorily in our business and during the six years it has been in operation we have not averaged one instance a year where an account reinstated on this basis has again caused trouble.

We have also been agreeably surprised at the number of dealers who are willing to reinstate their credit by complying with the conditions mentioned. Of course in some instances a party

who makes a practice of stealing time and discount becomes very much exercised because of our refusal to fill orders, but we have found this type of account to be the exception rather than the rule.

Inquiry among our immediate acquaintances fails to find another manufacturer operating on this basis, but if the practice should become general, we are confident a very noticeable improvement would be made by a large group of accounts in the manner in which their bills would be cared for.

Thinking many may be interested in the type of letter we send out on an order received, after the credit standing of an account has been cancelled, a copy with the name deleted is presented. This really is not as difficult a practice to adopt as is the strict adherence to discount terms. Most of the conditions which might seem to warrant leniency in connection with discount do not apply to accounts which allow their bills to run a sufficient length of time to involve collection charges.

The letter used follows:

We thank you for the order placed with Mr. _____ on the 6th and would like very much to enter it for shipment under open account terms as provided. However, our records indicate that late in 1930 we were compelled to place your account with the Credit Association for collection, at which time collection fees of \$3.50 were involved.

We do not consider such items to be legitimate business expenses and where they are involved, it automatically cancels existing credit arrangements. Accounts may thereafter be serviced only on a cash basis unless the fees are refunded and a satisfactory property statement is supplied.

If these conditions are fulfilled, your credit will be reinstated, and we will be glad to hear from you if you desire to adjust the matter at this time.

Your order will be given prompt attention as soon as we arrive at a mutually satisfactory understanding.

Yours very truly,
GRACE CORSET COMPANY.
A. H. Hazzard, Credit Dept.

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co-insurance

(Continued from page 13)

actual cash value at the time of the loss or damage.

6. Unless books and accounts are regularly kept by the assured and are kept in such manner that the exact amount of loss can be accurately determined therefrom by the company.

10. Affirmative proof of loss, under oath on forms provided by the company, must be furnished to the company within sixty days from the date of the discovery of such loss or damage.

In order to demonstrate the application of the co-insurance clause, we will use as a hypothetical case, a loss occurring through a burglary of merchandise from a women's apparel shop. This percentage inserted in Item 5 of the Declarations varies with the type of risk to be insured. On the above class of risk the percentage used in most cases is 80%.

We will assume that the following set of circumstances existed at the time of the alleged robbery.

Amount of insurance carried	\$10,000.00
Cash value of merchandise	

in stock at the time of burglary	\$25,000.00
80% of value of merchandise in stock, required to be carried	\$20,000.00
Actual cash value of merchandise stolen	\$8,000.00

A reference to Condition 2 makes it clear that \$10,000.00 will be the numerator, and \$20,000.00 the denominator of the fraction to be applied against the amount of the reported loss of \$8,000.00, in order to determine the limit of the company's liability, which is \$4,000.00. The assured, in this instance, becomes a co-insurer to the extent of 50% or \$4,000.00.

Here is an instance of an assured carrying \$10,000.00 of insurance, having an \$8,000.00 loss and collecting \$4,000.00, as a result of the robbery. If this policy were properly sold, by this we mean had the broker explained the exact coverage to his client, this loss could be very easily disposed of, without any dispute, or ill feeling toward the carrier. Unfortunately, such an understanding does not always exist.

The justification of such a co-insurance clause is apparent. A merchant, who carries a stock of merchandise, which averages \$25,000.00, should not expect to protect this stock against the hazard of burglary, by carrying only \$10,000.00 of insurance, without becoming a co-insurer.

Condition 5, of the policy of insurance, limits the company's liability to the actual cash value of the merchandise at the time of the reported robbery. Due to the depreciation in the value of merchandise caused by shop wear, handling, change of styles and material patterns, falling prices, etc., merchandise purchased several months prior to the loss may be worth considerably less, at the time of the robbery, than the invoiced cost. During the past few years, this condition has worked in favor of the insurance companies. However, on a rising market, this same condition would work in favor of the assured and against the carrier.

Condition 6 requires the assured to keep books and accounts in such a manner that the exact amount of a loss can be determined therefrom by the company. An explanation of the importance of this condition is hardly necessary; yet, many small stores, and some larger businesses do not keep a complete set of books and records, from which might readily be ascertained the amount of any loss incurred. If, after an investigation of a reported robbery, the companies find that books and rec-

ords have not been kept by an assured, they, in most instances, do not take advantage of this warranty; but attempt to settle the loss on a fair basis. Losses, of this nature, are most difficult to settle, to the entire satisfaction of both parties, as the assured, while he may feel certain, provided it is a small establishment, as to the exact amount of his loss, yet, he is not in a position, due to the lack of sufficient records, to prove his claim.

If some insurance brokers, firms and individuals, would familiarize themselves with the facts related in this article, we feel certain that some of the future business written will be more selective, with a resultant tendency to decrease the loss ratio which, in the end, lowers rates and invites more business.

B. A. Morley's promotion

(Continued from page 21)

"That's so," agreed Bert. "But there is no disgrace in retiring from sole headship when age comes upon one. It is done in every branch of life. It may want some courage to step down, just for the moment, but it involves no humiliation. It is just acknowledging that none of us can beat Old Father Time."

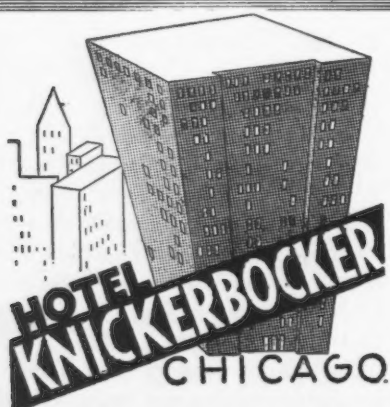
But Uncle Ben shook his head.

"It wouldn't be the same, Bert," he said sadly.

"Well then, by gosh, we'll get back at you by promoting you," laughed Bert.

So it happened that Uncle Ben got his promotion, and it was done in royal style. The Colonel authorized Bert to arrange for a banquet in Uncle Ben's honor, and Lang spared neither effort nor expense to make it a great success. Uncle Ben enjoyed one of the happiest days of his life. Music, flowers, favors were lavishly provided, and after dinner a wonderful silver service cup was presented to the guest of honor. Uncle Ben made the speech of his career, describing the growth of the firm during forty years, eulogizing chiefs and associates, and paying tribute to his little silver-haired wife, who sat by his side, as the inspiration of all that had been good and successful in his career. It was only when he spoke of leaving the Credit Department that he found it difficult to speak—after forty years the separation was not easy.

The Assistant Treasurer was given a small private office. It seemed lonely to



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Uncle Ben with no one around, but there was dignity in the bronze plate, "Assistant Treasurer," that hung outside the door. Perhaps now he could devote some time to reading and studying credits. True, he was getting along in years, but perhaps the credit class would welcome him despite his age. He would like to know more about modern credits.

Jimmy, the office messenger, piled a large bundle of checks on Uncle Ben's desk; the Assistant Treasurer began his day's work. It seemed an unusually long, quiet day, and his fingers were cramped a bit, and his eyes smarted as he closed his desk upon his first day at the new task. But this, he assured himself, was to be expected. Unless accustomed to it, one could not write "B. A. Morley" all day long without fatigue and aching fingers.

That night he was so tired he forgot all about the credit class.

Uncle Ben greeted Jimmy pleasantly the next morning as the urchin brought in his checks. There was something about the boy that both pleased and amused him as he chatted with the lad. Then he set about his daily task of writing "B. A. Morley." All week he wrote "B. A. Morley,—B. A. Morley," while his fingers ached and his eyes burned, and it was very lonely. During the day he would call for Jimmy, pretending he had some message, but when the boy appeared, he would make him sit beside him and would tell him stories. They were soon like two old cronies, Jimmy and Uncle Ben. His office was such a lonely place, he craved companionship, and Jimmy broke up the monotony, and furnished all the interest of a growing boy.

For a month Uncle Ben continued writing "B. A. Morley." Then the bank called him up one day, and complained that his signature was sometimes crowded into the body of the check, making the reading of the written amount hard to see. Wouldn't he please try to keep his signature closer to the signature line? He would, agreed Uncle Ben, as he rubbed his twitching eyes and massaged his aching fingers.

"Why don't they print a heavier signature line on these checks?" complained Uncle Ben to himself, and once more aloud, as he squinted to write "B. A. Morley," on the space provided. Then Jimmy came in and Uncle Ben brightened up as he put away his pen.

"What are you shaking your head for, Uncle Ben?" asked the kid good-naturedly.

"I'm a bit nervous, Sonny, just a wee bit nervous—now here, you come up here and let me tell you all about the time I was a lad your size."

"I can't this morning, Uncle Ben. Gee! I wish'd I could," he added regretfully, "but I got to go now. Mr. Lang has given me an outside errand that will take 'most all day. Goodbye Uncle Ben."

"Goodbye, Jimmy, and Jimmy——"

Alone Uncle Ben almost wished he had taken the demotion; he would have had company. His eyes would not have had to ache and burn so much. Maybe he would have learned all about modern credit from Tim Bronson. He understood Tim was a graduate of the credit courses.

Often when he called Jimmy he was at a loss to know what excuse to make, and he would give the lad money and bid him buy sweets.

When the door swung back, and Uncle Ben was alone again, there returned the depression. What a cold, dreary, lonesome office his was. Gray walls, steel safe, concrete floor, and one wee transom window that always created an ugly draft upon opening.

"B. A. Morley—B. A. Morley," growled Uncle Ben, as he looked at a pile of unsigned checks, that stood before him. Then he would glance at his title on the door and be comforted. He reached for his pen with his aching arm, and adjusted his glasses and took up his work. It was laborious, painstaking, monotonous—gradually Uncle Ben thoroughly despised it. One morning seemed eternal. Jimmy was too busy to look in. Uncle Ben in desperation picked up his hat and walked over to the Credit Department. He would like a slight respite in his ancient kingdom, and perhaps check signing would be less irksome on his return.

"Hello, Uncle Ben,—Hello, Uncle Ben!" It was a chorus of voices that greeted him in the Credit Department. Uncle Ben wondered wistfully if he hadn't made a mistake in his pride.

He looked about him, and saw unusual activity. The staff was as lively as a convention of crickets, the typewriters were clicking away merrily. Stacks of correspondence, messages from real, live people, were piled high on Uncle Ben's old desk, now occupied by young Mr. Bronson. There were three books on credit subjects that were just off the press, and placed invitingly on the desk. Uncle Ben wanted to ask for the loan of them, but then he shook his head. No, he was too old now, he

concluded. The desk that Uncle Ben had occupied for forty years never looked more inviting than this morning.

"Mr. Bronson," he said, as he picked up a sheet of paper from his old desk, "here is a letter from our customer in Fort Wayne, old Jim Clark—Can't I answer that?"

"Why certainly, Uncle Ben," replied Bronson, calling for his stenographer.

The old man was again in his glory as he visited with Jim Clark through the medium of the written word.

When Uncle Ben had finished the letter and returned to his room, the boys in the Credit Department agreed that he looked exceedingly nervous and his face unusually drawn.

Uncle Ben again took up the task of writing "B. A. Morley—B. A. Morley—B. A. Morley," but that day he was unable to complete it. By three o'clock he had a terrific headache, and he started home depositing his unfinished work on the Treasurer's desk.

Uncle Ben had been away several days, when the Treasurer called on him at his home. The Treasurer explained that if Uncle Ben was able to be out at all, he wished he would come to the office. It would be quite a help, since it took a great deal of the Treasurer's valuable time to sign checks.

"Certainly I'll come," said Uncle Ben. "I have been a little run down, but I feel right again." The thought of returning to the little lonely room was like an escaped prisoner's thought of return to his bared cell.

The next morning he didn't feel any too lively, but having given his promise, he thought it best to go. He felt rather dizzy as he glanced from the inkwell to the signature line, and began signing "B. A. Morley." Then he started to talk to himself aloud. "B. A. Morley—B. A. Morley," he would say as he moved his head with the flourish of his pen.

Just then Jimmy crowded through the door carrying a tray-load of checks. It was an accumulation of several days, and almost hid the lad from view until he dumped them on Uncle Ben's desk.

"Hello, Uncle Ben!" called the lad cheerily, as he gasped for breath. The kid was all smiles, since he was relieved of the load.

"What are you laughing at, you young ragamuffin? You've been piling up these checks on me!"

"There's more a-coming, Uncle Ben," kidded Jimmy.

(Continued on page 40)



paging the new books



reviews of the important
books on business, to aid
executives whose read-
ing hours are limited.



this month's
business book

ECONOMIC BEHAVIOR. Willard E. Atkins and five associates. Houghton Mifflin Co., New York.

The authors of this volume, six New York U. professors of Economics, chose to qualify their title "Economic Behavior" with the words "An Institutional Approach." Don't, by any chance, let yourself be veered away from this work because of any one of these three reasons: 1. The title "Economic Behavior" and "Institutional Approach" sounds too big. 2. Books on economics by college professors are generally dry and pedantic. 3. Two volumes are too much for the busy business man to digest.

Forget the fact that these men are professors and you'll lose any pedantic preconceptions, with which you may be prejudiced, long before you have gone through the first quarter of the first volume.

The Messrs. Atkins, Edwards, Friedrich, McConnell, Reed and Raushenbush—to call the roll completely—have done in this book a task that is perhaps without parallel in accomplishment and conception. They have wisely chosen to forego the usual theoretical discussion of value, rent, price, marginal utility, etc., etc., which all other economic

books emphasize. Instead, they tell a story of business and economics as one unit in terms of today, in the language of today, in the forms of business with which we are performing our commercial affairs today.

Although they describe the foundations of business, its forms and its workings in the language of the hour, they are not cheap, obvious or unauthoritative. Their thorough background of economics and a humane interest in what is going on in the world about them, not merely in their class rooms, has given these six authors a hill-top position from which they flash the spotlight of their abilities on every feature of the surrounding economic panorama. Real men with real desires causing real events are shown in the many manifestations of economic activity.

There are chapters on Russia and socialism, on the uses of funds and market practices, on the role of consumers and the role of workers, on the change and control in modern industry. All this is explained without a paternal air, yet it is a sound exposition and doctrine for anyone desiring a thorough review, in every day language, of society from the economic and business standpoint. Here is a book that puts it competently and in an interesting manner.

—PAUL HAASE

handy handbook

HANDBOOK OF BUSINESS ADMINISTRATION. Edited by W. J. Donald. McGraw-Hill Book Co., N. Y.

In reviewing a book as voluminous and encyclopedic in nature as the "Handbook of Business Administration" it is not possible to read the book in detail. This handbook is specifically an encyclopedia of business and has a place on every executive's desk as a reference book. It is possible, however, to test the value of the book according to the standardized rules that make a work of this kind practical and worth while.

Mr. Donald has secured outstanding authorities in every phase of business administration to write the treatises presented. It is indeed encouraging to see that Mr. Donald has secured men of practical rather than theoretical experience. The three page list of contributors is a business "Who's Who" of experts in their respective fields.

The volume is divided into six sections:

- Section 1. Dealing with Marketing,
- Section 2. With Financial Management,
- Section 3. With Production Management,

Section 4. With Office Management,
Section 5. With Personnel Management, and

Section 6. With General Management.

Every reader of CREDIT AND FINANCIAL MANAGEMENT should find the section on Financial Management the most up-to-the-minute reference material that is procurable.

Under Section 2, the following subjects are covered:

- I. The Financial Executive's Part In Management.
- II. Financial Planning and Control.
- III. Incorporation and the Position of the Stockholder.
- IV. Boards of Directors, Board Committees, and Officers.
- V. Long Term Corporate Financing.
- VI. Short Term Borrowing.
- VII. Consolidations and Mergers.
- VIII. Depreciation and Obsolescence.
- IX. Insurance as a Management Problem.

The only detail reading I have done on this volume is in the Financial Management section. I am agreeably surprised to find the technical matter handled in a lucid, readable and attractive style. What the *Encyclopedia Britannica* has done for the general information and educational fields, the "Handbook of Business Administration" has done for the business and industrial field. This volume can be recommended, without reservation, to every business executive.

—CHESTER H. McCALL.

among those present:

BANK MANAGEMENT. J. Franklin Ebersole. McGraw-Hill Book Co., N. Y.. \$5.00—A case book in the series of Harvard problem books, using actual cases.

MEASURES OF EXPORTS OF THE UNITED STATES. Dudley J. Cowden. Columbia University Press, N. Y. \$2.00—Thirteen charts and over a hundred pages, which provide indices for the study of exports by economic classes.

THE CUBAN SITUATION AND OUR TREATY RELATIONS. Philip G. Wright. The Brookings Institution, Washington, D. C. \$2.50—Timely and authoritative analysis of a front-page situation that deserves every American business man's attention.

PROBLEMS IN RETAIL MERCHANDISING. J. W. Wingate and E. O. Schaller. Prentice-Hall, Inc., N. Y. \$1.00—The first of a series on merchandising, publicity, service, and finance and control in the retailing field.

cold cash for frozen assets

An Idea for Winter—

Frozen tight and hard to thaw—that is going to be the condition of some of your accounts receivable following your seasonal selling.

Christmas business is not without its measure of distress when pay-time comes.

Past-due accounts and claims against embarrassed estates spell t-r-o-u-b-l-e to the Credit Manager.

A National hook-up of competent non-profit making bureaus is at hand as an auxiliary to your Credit Department.

Look us up when your problems in Adjustments and Collections are difficult. Complete information available concerning our coast-to-coast hook-up of splendidly equipped bureaus.

**Collection-Adjustment Bureaus Department
National Association of Credit Men
One Park Avenue, New York**



B. A. Morley's promotion

(Continued from page 37)

"I'll show you, you young upstart!" shouted Uncle Ben as he flew into a rage, and his face turned purple, as he threateningly advanced towards the boy. "I won't have them; the lines get into my head, all criss-crossed. Don't you bring them to me to torment the mind and soul of me."

Jimmy seeing the wild expression on his old friend's face, gave one cry and jumped for the door.

"Hold him! Hold him!" yelled Uncle Ben in pursuit. Then he laughed sardonically as he began to shout, "Assistant Treasurer—Assistant Treasurer—Hell! B. A. Morley—B. A. Morley—B. A. Morley—B. A. Morley—Hold him! Grab that—"

But Uncle Ben never finished—something snapped, and he went down, outstretched on the office floor. Soon his hands were cold and clammy, his heart silent.

"A stroke," pronounced the doctor.

Among other things the obituary had this to relate: "B. A. Morley better known as 'Uncle Ben,' was a faithful employee of the Merlon Metal Manufacturing Company. In appreciation of his forty years of service, he was recently promoted to the position of Assistant Treasurer of the Corporation."

The Chief read the notice aloud to Bert Lang.

"It should have been demotion, Bert," he said. "We put added burdens on weakening shoulders for pride's sake. If he'd taken demotion, he'd have lived."



yes! no monthly statements

(Continued from page 23)

Mr. M. P. Vore, Jr., Secretary and Treasurer of the Republic Flow Meters Company in Chicago, gives his reasons for not discontinuing the monthly statement:

"The sending of statements has in one sense seemed an economic waste but we have always kept up the custom. One of the principal reasons, it seems to me, for our having continued to send them out for years, is that the duplicates of customer's statements provide a tool I would find difficult in dispensing with. Of course, it is just as easy

to make two copies as one and we have never considered the cost of stamps and envelopes as a serious expense.

"First let me briefly outline our procedure as an introduction to the question I would like to ask. The duplicate statements are numbered consecutively in alphabetical order. The purpose of this is to save time in writing to delinquent debtors. The number only is used in dictating and the dictaphone operator uses the statement itself for the complete name and address when transcribing.

"As payments are received the checks are sorted alphabetically and remittances are checked off on the statements before they are entered in the cash-book. Of course, this alphabetical sorting is a great help in posting because the cash book entries are also in the same order. This means that the set of statements on the Treasurer's desk present an accurate picture of every account on our books, with all charges up to the first of the month and all payments to date. Every time we write to a customer about his account a dating stamp is impressed on the statement and a few words jotted down if the letter is in any way out of the ordinary. Also any reply from the debtor in the nature of a promise or complaint is very briefly summarized and dated on the statement.

"Now what I want to know is what system doing away with statements can beat the one I have outlined for complete, up-to-date and convenient control of receivables? Surely the ledger cannot take its place even assuming it is posted daily, as it is cumbersome and no bookkeeper would stand for memoranda scribbled on the account as we do on our statements. Without our notes on each account, some of which would be very interesting if the debtor could read them, we would be helpless, as it is a physical impossibility to read the file history and still turn out the volume of work. By the use of these memoranda, I sometimes flatter myself, we manage to give the impression to the debtor that our memories are both long and tenacious.

"What would we do without statements? What other system would give us the same information in so convenient and flexible a form as this and for so little money?"

Mr. R. F. Holmes, Credit Manager of Westinghouse Air Brake Co., Pittsburgh, says, "This has always been a subject of considerable interest and discussion among credit men and I fully agree

with Mr. Kase that in some cases the monthly statement could be eliminated without any serious effect, but an investigation we made a few years ago among our railroad customers revealed the fact that they have very definite use for the statement and that they work very closely to it. We have never been confronted with any of our customers losing their statement, as mentioned by Mr. Kase, neither do we find any of our customers making excuses about monthly statements, but we do have a number of calls from day to day for copies of invoices where the originals have been lost or mislaid.

"It is true a substantial saving in dollars and cents could be effected by eliminating the mailing and other expenses incidental to the monthly statements, but we believe the expense in most cases is warranted."

From Pittsburgh comes another proponent of the monthly statement idea. Mr. H. F. Martlew, Credit Manager of the Carbo-Oxygen Company, says:

"As no attempt has been made to dispose of possible objections to the new method, I am listing a few difficulties which occur to me. They are not intended as positive arguments against his theory, but as problems to be solved before such a system would work with my own company.

"The public has been trained to expect a monthly statement. This statement is universally accepted as a matter of business courtesy, to permit the customer to see the condition of the creditor's ledger. It is not, in itself, regarded as a "dun," yet it has the effect of drawing the customer's attention to possible delinquency in a more polite and subtler manner than a collection letter. Collection letters, however cleverly or subtly worded, are not exactly relished by the addressee; Mr. Kase admits that more of such letters, and an earlier start on a collection series, is a part of his system.

"Many concerns have scattered plants, and must necessarily keep their plant offices informed of the status of customers' accounts. No doubt many companies use the duplicate statement method, one copy of each statement being sent to the plants affected. Elimination of the monthly statement would require the introduction of new methods, which in time, material and labor would cost money. Obviously Mr. Kase's method would be preferable only if this change could be effected at a lower cost than that saved by the elimination of the statements.

"Most concerns sell more than one class of customer—large, medium and small; wholesale, retail or jobber. The larger customer has its established routine, and, while it may pay by invoice, discounting as it usually does, it has come to rely upon the monthly statement in order to check its own records with the creditor. Such a customer will accept a statement as a matter of course; any kind of a collection letter is likely to be considered an unwarranted reflection on its credit standing. The medium customer might be more indifferent to the change. The small man, on the other hand, keeps few records; probably invoices and statements suffice him. If you eliminate his statement he may not worry unduly; he may not worry enough. He probably has a spike on which he impales his invoices and statements—substitute a letter for a statement and he will, in many cases, file it in the waste basket. To him a statement is simply a record of what his creditor's books show he owes; a collection letter is a dun. If you don't get the distinction, just put yourself in his place.

"I can see one possible advantage which Mr. Kase may have foreseen but not enumerated. Monthly statements are ordinarily passed over more or less directly to a subordinate in the debtor's Accounting Department or Purchasing Department for checking. Delinquency or omission of certain items does not come to the attention of the Auditor or disbursing officer readily. A collection letter, on the other hand, is usually first received by the Auditor or his equivalent and later passed over to a subordinate. Thus a more responsible person than a voucher clerk has knowledge of the situation, and the creditor is more apt to get positive action.

"The road of the pioneer is hard. Perhaps Mr. Kase's method will eventually become generally accepted. If not, he has, at least, made us think."

installments' two-way gain

(Continued from page 29)

ment plan, the dealers (especially those of a certain class) retain a great deal more interest in the goods and are much more willing to make repairs, replace faulty articles than if they were fully paid for in cash at the time of purchase. Many consumers consider this a real advantage.

Installment sales of certain merchandise serve to build additional business

beyond the immediate sale involved. There is the example of the electric company selling electric refrigerators and other appliances on the installment plan.

Many persons who condemn the installment plan most heartily are themselves users of that very same principle; if not in the purchase of some article of merchandise, then in the purchase of life insurance. How many men pay for their life insurance in one single premium? Life insurance salesmen would have a very meagre income if it were not for the fact that their customers can pay for the policies on the installment plan, either so much annually, semi-annually, quarterly, or even weekly.

Like every other method of merchandising, the success of installment selling depends entirely upon how it is conducted. Wisely directed, with credit extended only upon proper commodities, on sound terms, and to the right kind of individuals or business concerns, it is unquestionably sound. In the words of Professor David Friday, "Most people who get run over by the installment plan get run over anyway. The trouble is with them and not with the plan." It is the abuses rather than the uses of the plan which are so harmful.

? what's what with wheat?

(Continued from page 17)

third. If this comes about, as is quite likely, then it will offset by far any possible decline in exports.

But the outlook for next year's wheat exports is good and the entire 1931 surplus will not meet the requirements of importing countries, placing the United States and Canada in very favorable positions. That is the report made by the Dominion Bureau of Statistics of Canada late in November.

"Canada and the United States, the two countries that have been holding the largest accumulated stocks for the past several years will benefit and will emerge from the present crop year with considerably reduced holdings in the way of surplus wheat," the report said.

The bureau estimated that world import requirements for the present cereal year will amount to at least 825,000,000 bushels, compared to actual shipments of 785,000,000 bushels during 1930-31.

Russia, the report indicated, would be at best an in-and-out exporter. It

was regarded as certain that the bulk of the grain movement from the Soviet is over for this year. The early movement of Russian wheat in volume, disquieting at the time, has turned out to be a buoyant factor, and the supplies of Canada, United States, the Argentine and Australia will be heavily drawn upon during the balance of the 1931-32 cereal year.

Canada was reported in a particularly favorable position because she holds only moderate supplies of relatively high grade wheat.

During the first quarter of the cereal year—August to October—North American shipments dropped sharply, compared with last year, from 114,800,000 bushels to 85,100,000 bushels. Total world shipments for the quarter were 212,000,000 bushels, as compared with 204,600,000 bushels during the same period of 1930, Russia being a leading exporter with 36,300,000 bushels.

The chief factors which the bureau found favoring the North American exporter for the November-December period were—Russia, a minor exporter; Australia, holdings very small; Argentine, supplies moderate and of reputed low grade; European 1931 production of wheat of milling quality below that of last year.

With all this fluctuation and attendant discomfort in the wheat situation there has been a recognition of the necessity for stabilized production by some form of cooperation among growing nations and a curtailment of crops when surpluses threaten to stifle the market. But nothing has come of the efforts of a few conferences already assembled and dissembled for this purpose. The most recent took place last May in London with representatives present from lands producing 95 per cent. of the world's total crop.

After long deliberation, much wrangling, and little in the way of real results the conference disbanded with resolutions to the effect that a worldwide depression existed, that markets are uncertain, that there is an oversupply of wheat, and that more statistics are needed. All of this was known before the conference met but, although the findings were of so little worth, they did not occasion surprise. Previous conferences in the last two years in Geneva, Paris, and Rome had done no more.

One fundamental reason for the inability to agree on curtailment lies in the fact that the two chief countries—

(Continued on page 44)



in the modern office

an idea and experience exchange on equipment, system and management in the modern credit and business office.

suggestion for a gift

Automatic pencils have their value for executive (and even clerical) use in the office. Imprinted with the company's name they make an effective, moderate priced and useful gift to valued customers, prospects, etc. A Credit Manager once received very good results from sending such pencils to a number of past due accounts. The gift was accompanied by a courteous letter pointing out that the company wished to do everything possible to make it easier for the debtor to remit. This is not recommended as a general policy, but the use of automatic pencils has its value. The Autopoint Company's new *Realpoint* has a propel-repel-expel action, gold-filled metal parts and very attractive color combinations. This company's main line, the *Autopoint*, is well known. The new addition seems in keeping with former products and is reasonably priced.

the radio desk is practical

Many executive offices are now equipped with radio receivers. Now it is possible to have a radio right in one's desk. Shaw-Walker Radio Desk contains a set in the lower right-hand drawer. The current is turned on automatically when the drawer is opened and is shut off when the drawer is closed. All wiring is concealed in the construction of the desk. With the

drawer closed there is no evidence that the Radio Desk is different from any other. This desk, introduced at the National Business Show, aroused considerable attention from executives interested in hearing commodity prices, stock quotations, news flashes and other items of interest on the air.

new postal scale more accurate

Because of the new practice of the United States Post Office Department in weighing air mail and ordinary mail more accurately than heretofore, it is advisable to check up postal scales for accuracy. The Triner Scale Co. has just introduced a new precision scale at a moderate cost. A tolerance of only five grains is permitted. The Triner Model 9-T Beam Scale is notched for every half ounce and weighs from one ounce to nine pounds. It is so sensitive that a scrap of paper, the size of a postage stamp, dropped on the platform will register additional weight.

"not a factory . . ."

"But the office is not a factory . . ." Stock objection of many to introducing new methods or ideas. Quite right, as far as it goes. The office is not wholly like a factory. But some ideas can be carried over, even if in a modified form. For instance, the same kind of time and motion studies that can be profitably employed on certain factory operations cannot be employed in the office. But every progressive manager can list all the duties of every employee in the office. Furthermore, the relative importance of these tasks can be shown. An "order of work" standard can be established so that no employee need worry as to what must be done first. Just these two steps alone have aided many companies in getting their work done in a better fashion at a lower cost.

beginning the day right

If the office day starts like a long lazy snake slowly uncoiling itself, something is wrong. It may not be wholly the fault of the stenographer if she idly powders her nose, chats of last night's movie and otherwise tries to kill the waste land of 9 to 9:30. She may have no work to do. Dictation may not begin until 9:30 and yesterday's work may be completely finished. There are many ways in which this condition can be remedied. The need for correcting it is obvious. A half hour a day equals three hours a week thrown

away. It amounts to a fortnight's salary paid for nothing every year. If this much time can actually be saved why not pass part of it on to employees in the form of an extra vacation? A cold motor is hard starting. A loosely organized office starts badly and, generally, ends the day in a needless rush.

survey typist's chairs

The Metropolitan Life Insurance Company has recently made a survey of the extent to which correct seating influences the purchase of typist's chairs. The opinions of sixty-five out of ninety-two of the country's largest corporations are given in "What Sixty-Five Corporations Look For When Buying Typist's Chairs," a booklet issued by the Policyholders Service Bureau of the Metropolitan and available upon request. Health is one of the chief factors influencing decisions. Features of adjustment and maintenance are carefully weighed. Price, in itself, is of relatively minor importance.

flexible chair-backs

The Do/More Chair Company has just announced Form-Flex, chair-backs and seats which flex themselves to the exact contours of the occupant. It is claimed that this new type of seat and back is very resilient and gives no sensation of pressure when one leans back in the chair. The front edge eliminates pressure or "cutting" into the underside of the legs and does away with the possibility of impeding circulation. The backs and seats are not separate but are an integral part of the chair.

spotlighting the cylinder

The Ediphone division of Thomas A. Edison, Inc. has developed a special gooseneck lamp for attachment to current model cylinder shaving machines. Light has always been somewhat of a problem in cylinder surface shaving, since an excellent light is needed for the best work but, in general, the shaving machine is located where light is imperfect. The Ediphone "surface lighter" puts a spot of light directly on the cylinder as it is being shaved. It will eliminate the need for the shaving machine operator holding a cylinder toward windows or light to observe the quality of surface. It should result in better shaving and, thus, better recording surfaces and improved operation.



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- 4 No need of mental computation... remedy of error is simple.
- 5 Credit balances print red ... followed by CR symbol ... even identified on carbon copies.
- 6 ✓ All entries made are plainly visible ... no carriage raising ... no guessing. Amounts and description typed anywhere on the sheet.
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? what's what with wheat?

(Continued from page 41)

Russia and the United States—can find no common basis of agreement. America favors acreage reduction but Russia, logically enough, in its own interest is not interested in acreage reduction until she has won back her pre-war grain eminence in the world market. America, on the other hand, does not favor the proposal to establish a system of quotas for production and marketing through the services of an international committee.

Since planned control meets with no success, perhaps Nature's solution will be the best and Nature is now at work, it seems, cutting crops by blight, heat, and floods so that the surplus of wheat will be used up. Nature has evidently accepted a challenge which mankind has tried to grasp but has failed to fulfill in an adequate way.

? what price money?

(Continued from page 15)

equipment and a general over-expansion, no benefit will accrue from additional borrowing.

On the other hand, the company which has been strong enough to maintain high credit standing and a healthy financial position, may take advantage of the opportunity to borrow at a low cost; for such a company can use the funds for plant and equipment improvement, market expansion and so on, even though a period of months or years must elapse before the amounts so invested begin to pay dividends.

The net result is a widening of the gap between the weaker and the stronger organizations. Competition between the weak business units having less up-to-date equipment and a less advanced sales program, and the stronger company which has been able to take advantage of the lower money prices, may be too stringent for the former. As a result many of the former units fail or are absorbed by the more powerful.

This explains in part why many business concerns had great difficulty in making both ends meet in 1928 even though total profits of industry reached a new high level in that year. It also gives us one reason for the rapid increase in mergers and absorptions. The competitive position of the stronger

units had been strengthened still further in many cases by the wise use of "cheap" money a few years earlier.

It is probable that we may look forward to a similar happening during the next few years. During the depression years the gap between the strong and the weak is being still further widened. Low-money cost is one of the contributing factors. It is likely, therefore, that for several years following the return of more normal business conditions failures, mergers and absorptions will continue in rather large numbers unless unusually favorable circumstances develop to offset the effect of the weakened competitive position of a great many concerns.

The answer to the question of whether cheap money rates are beneficial to business depends largely upon what the inquirer means by the word "beneficial." It is true that low rates may provide an incentive for companies, which are in a position to do so, to enter into expansion projects from which a return will not be derived for several years. On the other hand, this very expansion may make it even more difficult for many business units to meet competition. As a long-range proposition, therefore, the answer to the question of whether low rates benefit business depends whether it is preferable to have a smaller number of more powerful units or a larger number of less powerful ones; for it is undoubtedly true that lower rates are a factor in bringing about keener competition for a place in the sun of prosperity.

wholesale retail credit

(Continued from page 25)

Special reports are made up at a fixed charge of \$1.25 each. These reports differ from trade clearances in one important aspect. Besides giving all the trade information on file and clearing all references as accurately and as quickly as possible, as is done in trade clearances, the special reports provide, in addition, a complete investigation of the credit seeker through the 1,100 affiliated bureaus of the National Retail Credit Association, of which the New York Bureau is a member. Not only New York City and Greater New York, but also any part of the United States, Canada or Europe can be covered in these special reports. The "Specials" include information regarding the home

condition of the applicant, the clearance of bank and personal references, information as to position held, length of time employed and salary, and anything else, even remotely pertinent, that can be secured by investigators.

The average time for producing this special report is under three days, but if haste is imperative a small additional charge of \$.25 insures twenty-four hour service.

One of the special services of the bureau is known as the Private Investigation and this costs \$5. It is handled by special operators who will carry out any request, for any member, for information desired.

To keep a continuity of information circulating continuously for the use of members, the bureau distributes a twice-weekly bulletin which gives a record of all bad-check artists reported by members, the names of husbands not responsible for their wives' debts, cases of impostor buying, names of individuals upon whom it is wise to secure reports before extending credit, description of legislation of benefit or harm to credit grantors, and all accounts placed for collection or charged to profit and loss by members.

The matter of collection is nearly as important in retail as in wholesale credit, for although it is usually of smaller individual amounts, the number of accounts is far more numerous than in wholesale credit. For this purpose the collection department of the New York Bureau was organized.

In one recent year the Adjustment Bureau collected over \$225,000.00 for its members, charging 10 per cent. commission for collection with a minimum commission charge of \$5, or in amounts of \$10 or less, one-half of the amount collected. In cases where suit is necessary, the commission is 15 per cent., minimum commission \$7.50 and a minimum of \$7.50 for advance costs.

Very often, however, it is necessary to locate a quarry before a collection is instituted. For this reason the Locating Department was organized some years ago to trace debtors. It will trace "skips" anywhere in the world and charges \$5 if successful; nothing if it fails.

Because of New York's great appeal to people from all sections of the country much of the retail credit granting in New York is extended to people who do not live within the greater city limits. In order to check such customers in communities where there is no affiliated bureau, the New York Bu-

reau has at its disposal practically 10,000 correspondents throughout the United States. These men make their credit investigations supplementary to their regular activities and they include such people as city clerks, bank cashiers, justices of the peace and ministers.

In one place the correspondent carried the dual role of city assessor and employment manager of the one and leading industry in the town. It is easy to see, then, that he was qualified to be an expert on the credit ratings of the retail buyers in his section, because as city assessor he knew their property troubles, investments, and stability, and as an employment manager he had a check on a great portion of the local people, both as to their character, their working habits, their salary and their consequent paying abilities.

Some of these correspondents have traveled as far as seventy-five miles for a report and in Hawaii correspondents often go by boat to the small islands in this group in order to obtain a report on a buyer in the retail New York market. That gives an indication of how far-flung the buyers in New York are. Numerous reports are made on purchasers from Los Angeles, Wisconsin, Chicago, Arizona, Iowa, London, Paris, Berlin and Havana.

It seems surprising, when one first learns of this widespread selling by New York firms, but it must be remembered that many of these requests come by mail.

Occasionally the information services of the bureau are requested to give a tip on where someone in Kenosha, Wis., can purchase a pair of shoes of a special brand which he bought several years ago, the firm from which he bought them having since gone out of business.

"That," said Mr. Buckeridge, "is a comparatively easy task. Comparatively, I say, because we have even had requests as to location of firms of whose stock someone far off had been a purchaser. On a few occasions we have had the sad duty of reporting that such a firm no longer exists and, in one case, that it never did exist."

That is one of the compensations of the hectic hustle and bustle connected with credit granting. Occasionally there is a humorous incident and more often one of human interest. Here is an incident.

Let us call him Tom Jones. One day he called the bureau and said, over the telephone: "Cut off my wife's credit, we have had a disagreement and I am not

to be responsible for any of her bills. If she wants to charge, it will have to be on her name and not mine."

A few weeks thereafter Tom Jones called again: "Will you please revise that condition on my wife's credit? We have made up and it is quite alright for her to charge on my name once again."

A few weeks elapsed again. Tom Jones was on the wire: "Cut off my wife's credit and keep it cut off!"

"That," said Mr. Buckeridge, "in its rather humorous revealing of family relationships, is one of the incidents that keep us in good humor."

mail frauds total billion

Mail fraud schemes are the means by which more than a billion dollars annually are swindled from the American public, according to a recent estimate by an official of the Post Office Department. He estimates that at least a million Americans yearly lose money and property in such schemes. The principal offenders operating different "rackets" are those operating medical, oil-stock, and so-called "work-at-home" schemes by mail.

The ABC of

American Credit Insurance

"A"—American Credit Insurance guarantees that your losses from bad debts will not exceed the normal loss incident to your particular business.

"B"—The *normal loss* is a fair, reasonable sum of money which every business house finds it necessary to set up as an average reserve. This normal loss should be included into the regular overhead expenses and automatically becomes a part of the selling price of the merchandise.

"C"—The *premium* is scientifically gauged by the individual requirements of the policy-holder, based on a number of factors. These include: ratings of his customers; the type of customer; the terms of sale; the manufacturer's volume of sales; his credit loss record over past periods; the amount that is owed him; the amount of coverage needed, etc.

This great service of *protection* and *saving* is designed for Credit Departments of Manufacturers and Wholesalers. Thousands of Credit Managers—everywhere—have been securing its benefits for years. *You* are invited to join them. An expert in your line of business will call whenever you say.

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014R4



insurance digest

inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

insurance reduction is seldom a saving

The members of the Associated Industries of Massachusetts were told at their sixteenth annual meeting at the Copley-Plaza Hotel in Boston that the present is no time to reduce insurance protection blindly merely to affect reductions in expenses. This statement was made before the insurance section conference by Arnold Grasse, manager of the service department of the Home of New York, who went on to advise the business men of the Bay State to consult orthodox insurance men before planning any uncertain surgical operations which may involve placing insurance coverage with unlicensed, low cost or high dividend paying non-stock insurers.

Charges for insurance are among the fixed costs of business, Mr. Grasse said, and to cancel or reduce protection recklessly is to gamble against the elements which he termed unwise at any time and rank folly in such times as the present. However, a careful and intelligent check should be made of the values to be insured and coverage should be arranged accordingly with proper counsel from the agents selected to handle the business. Mr. Grasse said the insurance companies do not want overinsurance any more than the policyholders do, it being a waste all around. Equally bad is a perfunctory guess as to values

which may quite as likely as not result in insufficient insurance.

Supporting his plea for adequate protection to be carried through the business depression Mr. Grasse informed the industrial and mercantile leaders in his audience that fire insurance is one of the cheapest of all present-day necessities. The average rate for fire insurance in the United States has declined practically every year for the last twenty. The price of fire insurance has continually and substantially declined in a period when war conditions materially advanced the price of all other necessities.

status of chattel mortgage argued

The interpretation of the loss payable clause in an Ohio fire insurance policy was argued before the United States Supreme Court in Washington recently in the case of J. M. Scott against the Sun Insurance Office, the Norwich Union Fire and the Home of New York. The insurance companies, appealing a decision of the lower courts, contended that they did not know of the existence of a chattel mortgage on the insured property and the fact that the agent, who also was cashier of the bank holding the mortgage, was not sufficient and that the loss-payable clause did not constitute a waiver of the provision that the policy would be invalidated should the property insured be encumbered by a chattel mortgage.

The person insured sought recovery despite the placing upon the insured property of a chattel mortgage, prohibited by the policies, on the ground that the chattel mortgage provision had been waived by the loss-payable endorsement, the Eastern Underwriter reports.

The loss-payable clause, the court was told, provided as follows:

"Any loss under this policy that may be proved due shall be payable to the assured and the Cumberland Savings Bank, Cumberland, Ohio, subject, nevertheless, to all the terms and conditions of the policy."

Counsel for the insurance companies and the insured disputed the issue of whether this loss-payable endorsement was made with the knowledge imputed because of the knowledge of its agent, or because of statutory provisions, of the insurance companies that the bank mentioned in the clause actually held a chattel mortgage on the property insured.

The insurance companies had no ac-

tual knowledge of the existence of the mortgage, R. M. Edmonds, counsel for the companies said, and claimed that the knowledge of the agent of the companies was not imputable to them since the agent, who acted for all three companies, also acted in another inconsistent capacity of cashier of the bank which held the mortgage.

"The loss-payable clause," Mr. Edmonds argued, "simply authorized payment of the proceeds of the policy in event of loss to the assured and the bank jointly without recognition of any interest of the bank in the property." He said that the "significant words 'as interest may appear' sometimes included in such clauses did not appear in the clause in these policies."

Replying to Mr. Justice Stone, Mr. Edmonds maintained that the endorsement of the policy did not place the companies on notice that the bank might have an interest in the property.

"The endorsement would indicate," he said, answering a question of Mr. Justice McReynolds, "simply that the bank was a creditor, but not that the creditor had an interest in the debtor's property." Mr. Justice Brandeis commented that it might even indicate that the bank was a financial agent of the insured.

The loss-payable clause, containing the words "subject to all the terms and conditions of this policy," made the provision subject to the provision that a chattel mortgage on the property should void the policy, Mr. Edmonds maintained.

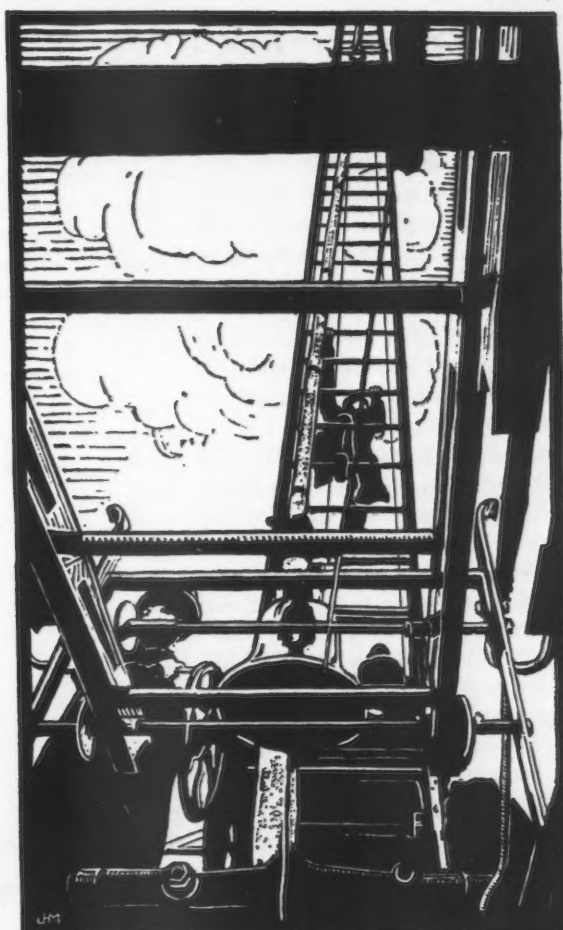
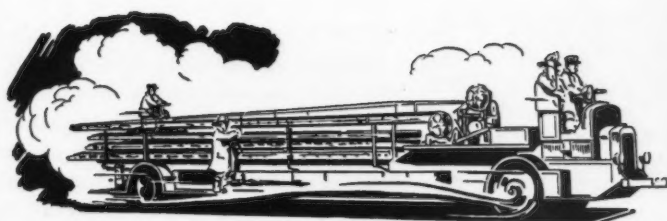
The knowledge of the existence of the chattel mortgage on the part of the agent of the companies was not imputable to the companies, Mr. Edmonds claimed, since any changes or waivers as to the provisions of the policy were required by it to be in writing. The fact that he also acted in a dual capacity also precluded such imputation, he said.

Mr. Edmonds contended that the decision of the Circuit Court of Appeals for the Sixth Circuit in the case, which held that the mortgage clause was waived by the loss-payable endorsement, is in conflict with a decision of the Supreme Court and also of a decision of the Circuit Court of Appeals for the Eighth Circuit.

In beginning his argument on behalf of the insured, F. S. Monnett pointed out that the companies were foreign companies which had taken out licenses in Ohio, where the policies were written. Thereby, he said, they bound

(Continued on page 48)

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SUBURBAN and metropolitan centers throughout the country are maintaining modern fire apparatus and equipment to safeguard life and property from ravages of fire. » But—should these protective measures fail and the property be damaged or destroyed—adequate insurance alone will properly re-imburse the property owner. » Agents and policyholders of "The Home of New York"—a strong stock company—who are properly insured against fire are provided with full protection in the event of a loss through resources sufficient to meet all obligations. » » » »

Cash Capital	\$24,000,000.00
Net Surplus	\$36,398,755.35
(Accumulated over 78 years)	
Surplus to Policyholders	\$60,398,755.35
Additional Funds	\$38,936,368.00
(Pro Rata Unearned Premiums)	
Reserved	
for miscellaneous accounts, taxes, dividends, and other obligations	
	\$12,754,865.55
Assets	
Cash on hand, funds conservatively invested or current balances payable when due	
	\$112,089,988.90

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(Continued from page 46)

themselves to provisions of Ohio statutes relating to the authority of insurance agents.

Under these statutes, Mr. Monnett maintained, the agent's knowledge of the existence of the chattel mortgage was imputable to the companies. One statute provides, he explained, that a foreign company shall be bound by the acts of its licensed agent. The agent in these cases, he said, was a statutory licensed agent.

"By statute," Mr. Monnett said, "the knowledge of the agent was the knowledge of the insurance companies. When he was told there was a chattel mortgage on the property, the companies were thereby advised of that fact. Their endorsement on the policy of the loss-payable clause with knowledge of this fact constituted a waiver of the provision making the policy void in the event of a chattel mortgage being placed on the property."

The Ohio courts have ruled, Mr. Monnett said, in response to an inquiry of Mr. Justice Roberts, that in such a situation as is presented in the case, the insurance companies are bound by the knowledge of their agent.

Mr. Monnett pointed out that the mortgage clause contained the proviso "unless otherwise provided by agreement indorsed hereon." When the company endorsed on the policy the loss-payable clause, he said, it recognized the interest of the bank in the insured property, and, thereafter accepting premiums, waived compliance with the mortgage provision.

establishing standard levels

(Continued from page 19)

minus three times the standard deviation for averages and the expected standard deviation plus and minus three times the standard deviation for standard deviations ($M \pm 3s_M$, $d \pm 3s_d$). (When n is large, d and s are for all practical purposes equal.)

Using these criteria, there will be found certain periods for which both the average value and the standard deviation value are outside their limit lines if the data were not produced under the same essential conditions. There may be periods in which the average

will be outside its limit lines while the standard deviation will be controlled. There will likewise be some periods for which the average is controlled while the standard deviation is outside its limit lines. In general all such data should be eliminated.

It may possibly be true, however, that this will eliminate the greater portion of the data, which may not be advisable. In that case, if the level is more important than the degree of variation, only those data for which the averages were found uncontrolled should be eliminated. If the degree of control desired is essentially the same for both the average and the standard deviation, then only those data for which both the averages and standard deviations are outside their limits should be eliminated.

Having eliminated some of the data by these tests, new standard values are established for the average and standard deviation following the same method with the balance of the data as was used in determining the tentative standards. These values of the average and standard deviation are known as the standard reference levels. Where no average or standard deviation values are found outside their limits the standard reference levels will coincide with the tentative levels first established.

Using these reference levels we may keep constant watch over similar data to determine when the system of causes changes. When finally a current value is found outside the limits, immediate steps may be taken to determine why, and if the causes are uncontrollable and will persist for some time, the standard may be shifted to take care of the shift in the cause system. If the cause is a change in management or some similar change and the effect is in the wrong direction, then it is possible for the management to make an immediate change in the harmful policy.

By studying each individual item, such as accounts receivable, gross income, etc., it is possible to effectively control the business. Each department head should study these component parts, but the chief executive wishes to find out the overall effect on the business. Hence he needs to formulate an overall index. The preceding article in this series gave all the necessary steps by which an overall business index can be prepared. We can continue this method of combining the values representing the deviations of the averages from the expected values in units of the standard deviation for averages, measured in terms of t , and the devia-

tions of the standard deviations from the expected values in units of the standard deviation for standard deviations, measured in terms of t , from company to company within an industry, until we eventually get an overall index which reflects the changes of the component parts.

We may take any group of indices, for example the indices published by the Department of Commerce; give each chart a weight; and combine the indices to obtain an overall business index and an overall financial index. These may again be weighted to give an overall index of business and financial conditions in the country. It must be pointed out that any index hides the details upon which it is composed. A downward trend in one component may be offset by an upward trend in another component. The overall index is useful in determining when it is essential that some radical change be made in the overall policy rather than a change in policy affecting only one component.

Having stated the general method of procedure we shall next give an example together with a group of graphical charts to show the application of these methods. We shall assume that we have data, covering a period of 10 weeks giving Sales per hour in dollars, which have been made under the same essential conditions, and that for each week we have 25 observations. The values obtained for the averages and standard deviations are given in the table below:

TABLE I
Constant Cause System
Averages and Standard Deviations
($n=25$)
Sales per Hour—Dollars

Week	Average	Standard Deviation
1	248	112
2	325	137
3	269	98
4	220	85
5	312	179
6	337	182
7	435	240
8	373	210
9	250	149
10	231	108
Sum	3000	1500
Average	300	150

The average of these ten values gives tentative standards of 300 for the average (M) and 150 for the standard deviation (s). The standard deviation for averages is given by the relation s/\sqrt{n} and is therefore $150/\sqrt{25}$ or 30.

The expected range of variation due to sampling variations is the average plus and minus three times this standard deviation and is therefore 210—390. The average for the 7th week, 435, is outside these limits. The standard deviation for standard deviations is given by the relation $s/\sqrt{2n}$ and is therefore $150/\sqrt{50}$ or 21.2. The expected range of variation is therefore 86.4—213.6. The standard deviation for the 4th week, 85, is outside the limits, being slightly smaller than 86.4, while the standard deviation for the 7th week, 240, is outside the limits, being considerably larger than 213.6.

The smaller the variation, the more desirable it is, so that we may disregard the small standard deviation value and thus need only eliminate the data for the 7th week where both the average and standard deviation were outside their limits. Using the remainder of the data, the sum of the averages is now 2565; dividing by 9 gives $M=285$ as the standard reference level for averages. The sum of the remainder of the standard deviations is 1260; dividing by 9 gives $s=140$ as the standard reference level for standard deviations. Graphical charts giving the ten average and standard deviation values together with the tentative levels and limit lines are shown on Figure 1.

The next case to be considered is one in which the average value does not remain constant because there is a constant change in the cause system, resulting in a constant shift in the weekly level although the standard deviation remains constant. This often occurs in business practice where the effect of the seasons is quite noticeable. Thus at Christmas time retail stores expect a greater volume of business in their toy and gift departments than during other periods. An example of data of this nature covering a period of 25 weeks where the number of observations per week is 25 is given in Table II.

TABLE II
Variable Cause System for Averages
Averages and Standard Deviations
($n=25$)

Sales per Hour—Dollars		
Week	Average	Standard Deviation
1	122	58
2	153	80
3	147	48
4	195	83
5	173	55
6	242	42
7	229	87

8	207	73
9	267	61
10	285	39
11	300	45
12	358	57
13	338	65
14	312	73
15	372	59
16	351	68
17	365	90
18	318	72
19	289	43
20	312	56
21	257	91
22	275	53
23	218	62
24	200	87
25	240	78
Sum	6525	1625
Average	261	65

Using the average value of 261 and the standard deviation value of 65, the limit lines for averages are found to be 222—300. Sixteen of the values are outside of these limits. The limit lines for standard deviations are 37.4—92.6 and all values are found within these limits. Plotting these points as shown on Figure 2, a definite trend is immediately apparent. If groups of 5 are

taken, each group is found to be controlled about its average value. Limit lines for these groups of 5 are shown on Figure 2 together with a curve showing a varying expected value.

It is also possible to have a cause system which results in a variable expected level for the standard deviations. It would be treated in the same way as we have just treated the case for averages.

The application of the methods presented herein enables the business executive to establish reference quality levels for all items which he must watch and in addition to set limits within which periodic results may be allowed to vary without affecting the business as a whole. Criteria have been presented by which it is fairly definitely known when changes have occurred which require immediate action. Ordinarily many months might elapse before these conditions would be apparent and then reformatory action may be difficult to execute. Thus it is seen that the application of statistical methods together with judgment tends to keep business more stabilized and makes it possible to apply corrective action more quickly than would be otherwise possible.

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answers to credit questions



conducted by Walter C. Foster

☐ The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

checks dated on Sundays and holidays

Q. Is there any legal disadvantage in accepting a check dated the date of a holiday or Sunday?

A. As a general rule there are no compulsory holidays having the effect of suspending the transaction of private business in the absence of a statutory provision to that effect. The mere designation of a date as a legal holiday does not invalidate private contracts made on that date. Some statutes enumerate certain private acts which may not be performed on holidays and reference must be had to the statutes in each case to determine what particular acts are prohibited.

With respect to negotiable instruments, under the statutes of most jurisdictions, if they be executed on Sunday they are void as between the parties. In the hands of a bona fide holder for value, however, they are valid. It is not the mere drawing of the instrument on Sunday that invalidates it, but it must be delivered on Sunday and even though it be dated on Sunday, if it was in fact made and delivered on a weekday, it is valid. See 37 CYC, p. 563.

liens on public property

Q. Is it possible for a sub-contractor in New York to place a lien for work done on public property?

A. There is no reason why such procedure should not be followed. Section 5 of the Lien Law, which sanctions this, reads as follows:

"A person performing labor for or furnishing materials to a contractor, his sub-contractor or legal representative for the construction of a public improvement pursuant to a contract by such contractor with the state or a municipal corporation, shall have a lien for the principal and interest of the value or agreed price of such labor or materials upon the moneys of the state or of such corporation applicable to the construction of such improvement to the extent of the amount due or to become due on such contract, upon filing a notice of lien as prescribed in this article, except as hereinafter in this article provided."

third party check

Q. Is there any legal disadvantage in accepting a check from one concern to apply on the indebtedness of another?

A. Whether or not there is any legal disadvantage in the acceptance of a check of a third person in payment of an account depends upon the circumstances of the particular case. The acceptance of a third person's check may constitute payment, leaving the creditor no remedy except suit against the maker of the instrument and releasing the original debtor. To accomplish this result, however, it is essential that the check of the third person be tendered and accepted with intention to release the original debtor; if given and accepted with such understanding it will so operate. See "Uniform Laws Annotated, Negotiable Instruments, pages 584, ff.

saving and checking accounts: bank failure

Q. Can a deposit in a savings account and a deposit in a checking account, both in the same bank, be offset against the depositor's indebtedness to the bank in case of the bank's failure?

A. Whether or not a deposit in the savings department of a bank can be offset against an indebtedness due to the bank depends upon the laws of the State in which the bank is situated. In many states the law requires the segregation of savings and commercial accounts, and in such cases the set off would not be permitted. See *Kelly vs. Allen*, 239 Mass.

In many of the states, including Connecticut, New Jersey, Massachusetts and Oregon, a depositor in a savings bank is not entitled to offset this deposit against his obligation to the bank, but other cases permit such setoff and deny that there is any distinction between savings banks and commercial banks in this connection. There are decisions to this effect in Florida and Montana.

addresses wanted

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BASIGER, J. B., Great Northern Hotel, Chicago, Illinois.
BOLL, CHARLES J., Importer & Exporter, 726 Spring Garden Street, Phila., Penna.
BORGERHOFF, F. G., 9 Ashland Street, Buffalo, N. Y.
BRAND, HARRY, formerly operated the Central Shoe Store, Bloomsburg, Penna.
BUCKLEY, GEO., 609 Hinman Street, Evanston, Ill.
BURNS, THOS. J. (MRS.), 1412 Chase Avenue, Chicago, Illinois.
CARBERRY, G. H., Stratford Arms, Buffalo, New York.
CASALE, JACK, formerly in business at 1829 Murray Avenue, Pittsburgh, Penna.
CHAPMAN, THEO. S. (MRS.), 631 N. Michigan, Chicago, Ill.
CROWDER, O. W., formerly address 368 Highland Avenue, Highland Park, Mich.
CURTIS, C. G., 62 Ketchum Place, Buffalo, N. Y.
DRUMMOND, F. L., 4701 Beacon Street, Chicago, Ill.
FLOOD, HAROLD, formerly of Leadville, Colorado.
More recently in the delicatessen and grocery business at 8139 Foothill Boulevard, Oakland, Calif.
FOSTER, A. J., Room 220, Marquette Bldg., Chicago, Ill.
GOLDELTAT, HENRY, 4207 Gladys Avenue, Chicago, Ill.
GREENFIELD, A., 146 N. Parkside, Chicago, Ill.
GROSS, SAM, formerly at Manitowoc, Wisconsin.
HAINES, H. C., Prop., 614 South State, Belvidere, Ill.
JACKSON, LEWIS, t. a. the Jackson Wholesale Company, Oklahoma City, Okla.
JIROCH, A. C., 444 Diversey Parkway, Chicago, Ill.
KELSON, F., 7712 S. Shore, Chicago, Ill.
KOCH, S. L., who formerly operated the City Drug Co., 145 N. College Street, Fort Collins, Colorado.
McELROY, JOHN F., 1907 S. Kedzie Avenue, Chicago, Illinois. Known as Kedzie Fair.
McNAMARA, J. I., St. Clair Hotel, Chicago, Ill.
MELCHER, D. F., t. a. the Conway Drug Co., Conway, New Hampshire.
MOTHNER, J. H., 425 West End Avenue, New York City.
O'HEARN, J., Robt. E. Lee Hotel, St. Louis, Mo.
PACKETTE CANDY COMPANY, formerly at 400 West Erie Street, Chicago.
RAMSDALL, F. E., 215 E. Chicago Avenue, Chicago, Ill.
RANDALL, ELEANOR, Hotel LaSalle, Chicago, Ill.
SAMUELS, HOMER H., formerly 30 N. LaSalle Street, Chicago, Ill.
SCHWARTZ, E. J., 1100 N. Dearborn, Chicago, Ill.
SCHWARTZ, O. M., 814 Franklin Street, Chicago, Ill.
SEIDER, F. L. (MRS.), S. Shore Club, Chicago, Ill.
SKOOG, CARL, formerly operated the Fenell Concrete Products Co., Detroit, Mich.
VALENTINE, R. F., 513 Walnut, Maywood, Ill.
WARD, L. S., Atlantic Hotel, Chicago, Ill.
WARNER, H. J., 1925 S. California, Chicago, Ill.
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CHICAGO

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international accounting

(Continued from page 12)

If the capital stock of the company is in dollars, the same methods apply, except that "dollars" will be substituted for "milreis at par," and operations and assets and liabilities in *milreis* will be converted into *dollars* at the average and closing rates respectively.

Having provided the accounting routine for recording the various transactions incidental to the importation, costing and sale of merchandise, the problem now arises how to provide against loss in exchange on sales made on a credit basis in a fluctuating currency. There are two ways of accomplishing this desirable result; one, by the purchase of future exchange, if this is possible in the particular country in which the merchant operates, and the other, by contracting a loan in national currency for a term corresponding to the credit terms extended by the merchant. The latter method is more costly, inasmuch as the interest rates abroad are usually much higher than the rates prevailing in the United States, and the difference between the two rates should, of course, be taken into consideration in computing the selling price.

In the illustration, the merchant should make a future contract for \$1,000.00 U. S. on the day on which he made the sale, at the rate of the day, let us say $5\frac{3}{4}$ cents per milreis, so that when he receives payment from his customer he can go to the bank and receive a sight draft on New York for \$1,000.00 U. S. at a cost of Rs. 17:391-\$310. If future exchange is not dealt in, he should borrow from the bank—always supposing that his credit rating enables him to do so, and that the bank is in a position to loan the currency—Rs. 17:391\$310 with which he would then and there buy \$1,000.00 U. S., and upon receipt of payment from his customer he would repay the loan with accrued interest.

If the first course were adopted, the appropriate entries would be:

DR.		CR.	
Milreis at Par	Milreis at current rates		
Exchange purchased... 8:333\$330			
Permutation	17:391\$310		
DR.		CR.	
Permutation	8:333\$330	Exchange payable	17:391\$310

and the result at the end of the month would be as follows:

DR.		CR.	
Accounts receivable	30:000\$000		
Exchange purchased	16:666\$660		
Notes payable		16:666\$660	
Accounts payable		10:000\$000	
Exchange payable		17:391\$310	
Surplus		2:608\$690	
	46:666\$660	46:666\$660	
Sales billed	30:000\$000		
Cost of sales billed	28:181\$800		
Gross margin	1:818\$200		
Exchange (profit)	790\$490		
Added to surplus	2:608\$690		

The reduction of Rs. 724\$650 in the surplus in the two examples from Rs. 3:333\$340 to Rs. 2:608\$690 represents the difference of $\frac{1}{4}$ c per milreis between the cost of the future contract and the closing rate at the end of the month.

Upon receipt of payment from his customer, the importer would pay the bank the amount due under the future contract, making the following entries in his books:

DR.		CR.	
Milreis at Par	Milreis at current rates		
Cash	30:000\$000		
Accounts payable	10:000\$000		
Exchange payable	17:391\$310		
Notes payable	8:033\$330		
Accounts receivable	30:000\$000		
Cash	10:000\$000		
Exchange purchased	8:033\$330		

If a loan were made by the bank and the manufacturer's draft were immediately liquidated, the entries would be:

DR.		CR.	
Milreis at Par	Milreis at current rates		
Notes payable	8:333\$330		
Permutation		17:391\$310	
Permutation	8:333\$330		
Notes payable		17:391\$310	

and the result at the end of the month, ignoring the accrued interest, would then be:

DR.		CR.	
Accounts receivable	30:000\$000		
Notes payable		17:391\$310	
Accounts payable		10:000\$000	
Surplus		2:608\$690	
	30:000\$000	30:000\$000	

These general principles are applicable to any business operating in a dual currency, and have been found in practice to minimize the risks inherent to commercial activities in foreign countries under present day conditions.

When writing to advertisers please mention Credit & Financial Management

sales and collections

(Continued from page 31)

should be considering the volume of sales, but sales are slowing up and less than seasonable anticipation. Minneapolis reports a slight improvement in collections.

MONTANA: From Billings we are told that "with a large payment to sugar beet growers conditions in both sales and collections should show material improvement within next fifteen days and will likely keep up until after the holidays when the usual slump can be expected."

NEBRASKA: The increased price in agricultural products has stimulated a very hopeful feeling but as yet these higher prices have not caused any appreciable gain in business activity as that is a slow process. Sales in some lines are off as much as 20% compared to last year's sales and it is apparent that only through intensive advertising are sales being stimulated. The foregoing report is received from Omaha.

NEW YORK: Albany reports collections improving. Other New York states report fair collections and sales.

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court decisions and washington notes



court decisions

PURPORTED DEALER'S CONTRACT. EVIDENCE. SUFFICIENCY. (MASS.).

Action of contract. The trial judge directed a verdict for the defendant. The plaintiff carried on a store in Boston. The defendant was a distributor of "Victor products"—radios, talking machines and accessories. The plaintiff's contention is that the defendant made an oral contract with him whereby he was "appointed" by the defendant a "dealer" in "Victor products" and whereby the defendant was bound to supply such merchandise to him upon his order, and that the defendant broke this contract by notifying the plaintiff that he was "taken off" as a dealer and "at present" the defendant could not ship him any goods, though it might "do something" for him later, and by refusing to fill an order for merchandise. Held that the proof did not show that there was such an agreement binding upon the defendant. The evidence of the transaction whereby such appointment was made was as follows: A salesman for the Victor people, in order to have the Victor rights, he would have to take the whole Victor line." In the course of the conversation the plaintiff said to the salesman, "How do you fellows work this thing out? Do you do the same as the rest of the wholesalers? Do you issue franchises or contracts?" The salesman replied, "No, we do not, but you know the Victor Company. They never failed anybody. Once a dealer is appointed he is always a dealer. We never take off anybody that does a good job," and urged the plaintiff to get started. Even if the conversation is interpreted as understood by the plaintiff, it does not show an offer by the defendant for a contract. Judgment entered for defendant. *Piscopausata v. Oliver Ditson Co.* Mass. Supreme Jud. Ct. Decided September 9, 1931.

CONDITIONAL SALE. BREACH OF CONDITIONAL VENDEE. CHATTEL MORTGAGE. VENDOR'S REMEDIES.

CONTRACTS. EFFECT OF PARTIAL INVALIDITY. (WASH.).

The respondent, Allis-Chalmers Company, sold to the appellant certain machinery, the major part of the purchase price of which was to be paid in deferred installments. One part of the contract reads as follows: "The title and right of possession to the machinery herein specified, remain in the Company (the respondent) until all payments hereunder shall have been fully made in cash. The Company may pursue all legal remedies to enforce payment hereunder, but if unable to collect may thereafter repossess the property." The appellant defaulted in the payment of certain installments of the purchase price, and the respondent, conceiving the contract to be one of conditional sale, elected to take back the machinery, and a demand for possession was made accordingly. The demand being refused, the respondent brought this action to replevy the property. The appellant defendant by saying that, as a matter of law, the contract was not one of conditional sale, but was, in effect, a chattel mortgage. Held, that the language: "but if unable to collect may thereafter repossess the property is objectionable. The supreme court of this state has declared the public policy of the state to be, and the law of the state to be, that one cannot do that. Where there is an objectionable agreement for the conditional sale of personal property, the vendor has the right to elect to consider the sale absolute and sue for the balance of the purchase price, or to assert his title and reclaim the property. He cannot do both. The law of the state is to the effect that, if he elects the former course and fails to collect the money, he cannot subsequently get back the title to the property. The right thus attempted to be conferred is in violation of and contrary to the law of the state. It follows that, in construing the contract, this court must disregard the words "but if unable to collect may thereafter repossess the property." Without them, the contract is clearly one of conditional sale. Judgment for respondent affirmed. *Allis-Chalmers Manufacturing Co. v. Hedlund Lumber & Manufacturing Co.* Wash. Supreme Ct. Decided September 2, 1931.

CONDITIONAL SALES. FIXTURES. LOSS OF ORIGINAL CHARACTER. ESTOPPEL. (CALIF.). In this action in claim and delivery to recover possession of an oil storage tank and a non-automatic oil burner, together with pipes, valves and fittings necessary for complete installation in a home, sold by plaintiff to a contractor who erected the building for defendants where it appeared that the oil-burner system was a material part of the original construction agreed to be installed, and the plant was sold for installation in the building, and plaintiff never filed a mechanic's lien for the amount of the contract price, and defendants held the required amount of the contract price of the building until time for filing mechanic's liens had expired, held that such property lost its original character as personality and became a part of the real estate; also, plaintiff was estopped under the circumstances from claiming ownership in the same and reservation of title could not be enforced against them. Judgment for defendants affirmed. *Peninsula Burner & Oil Co. v. McCaw et ux.* Calif. Dist. Ct. of Appeal. 1st Appellate Dist. Decided September 14, 1931.

COVENANT NOT TO ENGAGE IN COMPETING BUSINESS. ASSIGNABILITY. BREACH. "AGENT" CONSTRUED. (N. J.).

Held that a covenant not to engage in the restaurant business as principal, "agent or otherwise," within a defined area and for a fixed period of time, made by a vendor to a vendee, is violated by working in a competing restaurant as a waiter or cook. "Agent" connotes servant and "otherwise" is inclusive of both. A covenant not to engage in a competing business, made by

a vendor to a vendee, is incident to the business and is assignable, and, if not expressly assigned, it passes with a sale of the business and good will and is enforceable by the purchaser. Decree may be entered enjoining the defendants in the language of the covenant. *Bogardos & ano. v. Chacalos & ano.* N. J. Ct. in Chancery. Decided September 3, 1931.

* * *

washington notes

CONSUMER'S INFLUENCE ON BUSINESS

A clearer recognition of what was acceptable to the consumer was the one thing characteristic of 50 firms which were found, in a recent survey, to be making more money this year than they had ever made before. Dr. Frank M. Surface, Assistant Director of the Bureau of Foreign and Domestic Commerce, stated in a recent address. An organization which analyzed the reasons for the success of these 50 firms informed Dr. Surface that while these firms had done many different things to reduce wastes and lower costs, the realization of the importance of the consumer was the one thing characteristic of all of these organizations, "Domestic Commerce" reports.

In discussing this survey a representative of the organization which made this study ventured the suggestion that while in past periods it was stated that the discovery of the automobile or the radio had lifted us out of a depression, perhaps the discovery of the consumer would lift us out of our present difficulties.

"There can be no doubt," Dr. Surface said, "but that there is a clearer recognition today of the fundamental principal that the only reason for the existence of any business is service to the consumer. Along with that goes the further principal that any business or any product is successful in proportion to the degree that it meets consumer acceptance."

ABUSE OF RETURN PRIVILEGE

Reduction in the volume of returns at a large Chicago department store was affected by the preparation and mailing of a letter addressed to its customers who had, within the last year, returned more than 20 per cent of goods bought a discussion in the Retail Ledger of means of reducing returned goods reveals.

This store kept records of all returns and upon checking up found that approximately 20,000 names were included on the list of those who had returned more than 20 per cent of the goods which they ordered from the store.

The letter gave the exact percentage of the total amount of purchases made at the store which the customer had returned, and asked for cooperation in reducing this figure. From the 20,000 letters of this nature sent out, only about 50 protests were received by the store and these were quickly answered showing fully the goods purchased and returned.

There were a number of customers who were found to have returned as high as 90 per cent of all "purchases" made, though the majority, of course, had returned a much lower percentage.

PRICE INDEXES BEING STUDIED

A report on the subject of commodity price indexes, both retail and wholesale, is being prepared under the auspices of the Domestic Distribution Department Committee of the Chamber of Commerce of the United States. There are some 20 commodity price indexes issued which are given wide publicity and virtually no two agree in items covered, methods of compilation or final results.

It is hoped that through this study this situation may be clarified and generally acceptable price indexes developed. A conference on commodity price statistics was held September 25 and 26, where representatives of private and governmental statistical organizations discussed the various problems involved in the construction of such indexes.

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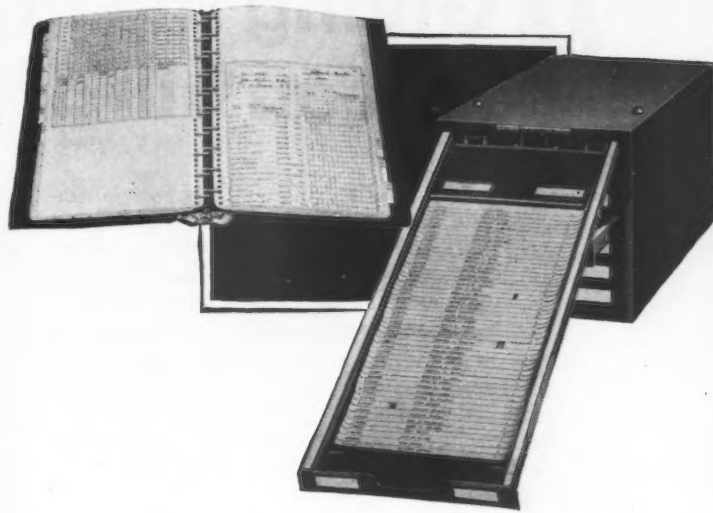
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Giving the family a clean bill of financial health

CURE the family's financial ills, as scientifically, as conscientiously, as a physician works to restore the family's health. . . . That is the responsibility of the family finance business, as its leader, Household, views it.

. . . THIS organization has never considered the small loan as a patent medicine, a cure-all for economic ills. A financial doctor, licensed by the state, it diagnoses the family's money troubles and suggests the best remedy, whether or not it entails the making of a small loan.

. . . HOUSEHOLD has sponsored a widespread campaign to encourage families to pay their bills; it helps them to get out of debt; it advises with them on ways and means to keep out of debt; it publishes and distributes widely the booklet "Money Management for Households" that counsels as soundly on the budgeting of the family's income, and its wise expenditure, as authoritative books on health advise on the family's physical well-being.

. . . THIS is not philanthropy. It is not even unselfishness. The responsibilities of the Household Finance organization have grown far beyond the making of a few scattered loans. Last year, Household served more than 330,000 families. Its 147 offices in 89 principal cities will serve even a larger number this year.

. . . TO THESE families, amounts up to \$300 have been loaned, without the requirements for bankable collateral, without cosigners, and without investigations among the family's friends, employers, creditors, or landlords.

. . . THE only physical security asked is household goods, which are seldom negotiable. The only



signatures asked are those of husband and wife. The chief security is the financial soundness of the family and its ability to repay the loan as it works its way out of debt.

. . . WHEN the American family's economic ills become aggravated, Household's security suffers. Consequently it is business, good business, for Household, with its hand on the pulse of hundreds of thousands, to fulfill intelligently its obligation as financial doctors to American families.



MONEY MANAGEMENT FOR HOUSEHOLDS, a helpful booklet on budgeting family income, leading to the happiness of financial security, is offered without charge to all. Telephone, call, or write for a copy.



HOUSEHOLD FINANCE CORPORATION . . .

Headquarters: Palmolive Building, Chicago, Illinois
. . . (147 Offices in 89 Principal Cities) . . .
(Consult your telephone directory for the office nearest you) . . .

You will enjoy the Household Hour, with Adolphe Dumont directing the Household Orchestra—one of the finest on the air—and the Household Singers, featuring Alice Mock, soprano. Every Tuesday evening, 9 P. M. Eastern Standard Time, on NBC Blue Network.

Consuming Consumer Indebtedness . .

Paradoxically enough, it is the country's foremost personal loan company, Household, which encourages families to get out and keep out of debt. Thus Household's temporary help in enabling families to pay their bills becomes of permanent value to those families and, in the aggregate,

to the entire nation. This advertisement, appearing in leading newspapers, is one of a series informing millions of the activities of Household. For further information, watch for Household's advertisements, or write to Dept. C10, Household Finance Corporation, Palmolive Building, Chicago.

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Meet
C. GUY FERGUSON

Manager, Pittsburgh Office
and
Ohio Valley Division



Through Credit and Financial Management Magazine Bradstreet's introduces the men responsible for its outstanding success in the credit reporting field.

Pulling Together

Looking back, as this year draws to a close, we are gratified to observe a constant increase in the number of reports supplied to BRADSTREET'S subscribers.

Credit for this is unquestionably due to the sincere, efficient, and loyal effort of BRADSTREET'S personnel, who are constantly alert to serve our members effectively and satisfactorily.

An Investment—Not an Expense

BRADSTREET'S



Ewing Galloway

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to the aviator means 'ready to go.'

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... to serve as your insurance adviser.

The security of your credit may depend on protection
against contingencies other than fire: on Use and Occu-
pancy, Rental Value, Explosion, or Windstorm.

The L. & L. & G. agent is competent to judge not only
whether your own company is properly secured, but also
whether the coverages carried by applicants for credit are
sufficient and sound.

Contact with an L. & L. & G. agent is contact with an
insurance consultant ... not with a policy peddler.

150 WILLIAM STREET, NEW YORK



